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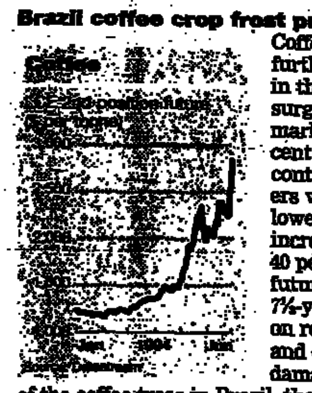
White House chief of staff replaced in Clinton shake-up

President Bill Clinton announced he was replacing his White House chief of staff Thomas McLarty with Office of Management and Budget director Leon Panetta. McLarty, a boyhood friend of Clinton, was due to remain in the White House as the senior adviser to the president.

McLarty has come under fire for the loose organisation of White House staff. Critics have complained he was not tough enough with his staff or with Clinton's opponents.

Kazakhs hit at Moscow over oil: Kazakhstan accused Russia of cutting off most of the republic's oil exports, all but paralysing its most lucrative industry. Page 18

Brazil coffee crop frost pushes up prices:



Coffee consumers face further price rises in the autumn if the surge in the coffee market, up 140 per cent so far this year, continued, manufacturers warned. This followed yesterday's increase of nearly 40 per cent in coffee futures prices to a 7½-year high in London on reports that frost and cold winds had damaged about a quarter of the coffee trees in Brazil, the world's largest producer. Page 18; Details, Page 26

Bosnia fighting intensifies: Bosnian Moslem troops fought fierce artillery duels with Serb fighters in the north of the republic. It was disclosed that a British soldier was killed in an exchange of fire with Serb forces on Sunday near Gorazde. Page 4

Daimler chairman: Jürgen Schrempp is expected to be named tomorrow as the next chairman of the management board of Daimler-Benz, German vehicle, aerospace and technology group. Page 19

New hope for Hata: The possibility that the coalition of Tsutomu Hata could return to power grew as Japan's two main opposition groups floundered in their attempt to agree on a new government. Page 9

Close result in German state poll: The ruling Christian Democrats and the opposition Social Democrats both demanded the right to lead the next government in east Germany's Saxony-Anhalt after the CDU won 37 seats and the SPD 36 in a state election. Page 18

Ford invests $50m in China: Ford Motor Company of the US is to spend more than $50m on its first motor components manufacturing investment in China. Page 5

Ukraine leadership poll: Ukrainian president Leonid Kravchuk and ex-prime minister Leonid Kuchma will face each other in a run-off leadership election due on July 10 after they led the inconclusive first round of voting. Page 3

Nigeria democracy vow: Nigerian head of state General Sani Abacha pledged to end military rule once his regime had found the structure for lasting democracy. Page 8

South Africa's financial rand, the country's investment currency, is not likely to be abolished "for some time", finance minister Derek Keys said. Page 8

Abidjan air crash: Up to 17 people, including three French citizens, died when an Air Ivoire Fokker F27 crashed on approach to Ivory Coast's capital Abidjan.

S African white 'killed by his own bomb': A white South African was killed by a home-made bomb in a park near Johannesburg. Police suspect he may have intended to use it in an attack on a taxi rank used by blacks.

Mint break-in: Thieves broke into the Moscow Mint and stole 443 commemorative gold coins worth 47m roubles ($23,700).

UK's first non-white bishop: Pakistan-born Michael Nazir-Ali, 44, general secretary of the Church Missionary Society, has been chosen as Britain's first non-white diocesan bishop. He is to be Bishop of Rochester.

Maori spoon fetches $49,000: A Maori wooden scoop used to feed tribesmen during ritual mutilation ceremonies was sold for £32,200 ($49,000) at a Sotheby's auction in London.

■ STOCK MARKET INDICES		
FT-SE 100:	2,899.9	(+23.3)
Yield	4.27	
FT-SE Eurotrack 100	1,313.43	(-14.91)
FT-SE-A All-Share	1,452.08	(+0.4%)
Nikkei	20,300.96	(-465.79)
New York: lunchtime		
Dow Jones Ind Ave	3,654.10	(+17.16)
S&P Composite	444.37	(+4.27)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.271%	
Long Bond	86½	
Yield	7.511%	
■ LONDON MONEY		
3-mo Interbank	5⅞%	(5⅞%)
Liffe long gilt future:	Jun 102½	(Jun 100¾)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$17.39	(17.36)
■ Gold		
New York Comex (Aug)	$386.4	(392.9)
London	$385.7	(391.7)

■ STERLING		
New York lunchtime:		
$	1.5475	
London:		
$	1.5547	(1.5422)
DM	2.4468	(2.463)
FFr	8.3985	(8.4379)
SFr	2.0631	(2.0642)
Y	155.26	(155.803)
£ Index	78.7	(80.0)
■ DOLLAR		
New York lunchtime:		
DM	1.57875	
FFr	5.4065	
SFr	1.32315	
Y	99.97	
London:		
DM	1.5758	(1.5972)
FFr	5.402	(5.4715)
SFr	1.3206	(1.3385)
Y	99.865	(100.9)
$ Index	63.2	(63.8)
Tokyo close Y 99.93		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso60	Syria	S£30.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

German chancellor vows to find EU consensus on successor to Delors

Kohl set to abandon Dehaene

By David Gardner in Brussels, Quentin Peel in Bonn and Robert Graham in Rome

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Germans may take quiet approach .... Page 3
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German Chancellor Helmut Kohl yesterday committed himself to finding a candidate to head the European Commission who would be acceptable to all 12 member states, as it became clear that European Union leaders were starting from scratch in their search for a successor to Mr Jacques Delors.

"We will talk to everyone involved, and we will work out a proposal," Mr Kohl said. "I am not blind. I want to come up with a result." His comments were taken in Brussels as a signal that Germany was preparing to abandon its preferred candidate, Mr Jean-Luc Dehaene, the Belgian premier.

Mr Dehaene was vetoed by the UK at the EU's Corfu summit on Saturday. Germany, which takes over the EU's rotating presidency from Greece on Friday, has called a special summit in Brussels on July 15 to resolve the dispute. "The deadline for my efforts will be midday on Friday July 15," Mr Kohl said. He added that it was essential to reach agreement before the first session of the new European parliament, which opens on July 18, when the new presidential candidate is to address the assembly.

A series of pre-arranged foreign ministers' visits have placed Italy in the role as a potential broker to break the deadlock. Mr Klaus Kinkel, the German foreign minister, is due in Rome today for talks with Mr Antonio Martino, his Italian opposite number. Mr Martino is due to visit London tomorrow – to be followed on Thursday by Mr Kinkel.

Mr Kinkel insisted that Mr Dehaene remained in the running: "We do not change candidates like we change our shirts." But the German chancellor would not confirm he was still backing Mr Dehaene, indicating that the selection process was starting with a clean slate.

The Dutch premier, Mr Ruud Lubbers, who withdrew on Saturday, is unlikely to rejoin the race. Although the Dutch, would like to field another candidate, the collapse of talks in the Hague yesterday on a new Dutch coalition meant Dutch officials could not see any figure of calibre becoming available.

The widely canvassed candidacy of Mr Peter Sutherland, the Irish director-general of the Gatt world trade organisation, is thought unlikely to prosper because the continental European perception is that he is too close to the UK.

Belgium is expected to put forward another candidate, possibly Mr Wilfried Martens, the former prime minister, or finance minister Mr Phillipe Maystadt, both Christian Democrats, or Viscount Etienne Davignon, a former EU commissioner.

Another theory circulating in Brussels yesterday was that Mr Giuliano Amato – the socialist former Italian prime minister who is respected for his role in steering Italy through its political upheaval – might come to be seen as an attractive candidate.

Another Italian name being mentioned is that of Mr Renato Ruggiero, currently a candidate to head the new World Trade Organisation.

But the unwritten rules the 12 heads of government had set themselves in the last selection round may have to be torn up. These were that the successor to Mr Delors – a socialist from a large country – should come from their own ranks, from a small member state and from the centre-right. One EU diplomat said yesterday that if all three criteria were impossible to fulfil, "they will try to give it one of the smaller countries".

Major's veto wins over Tories

Mr John Major last night basked in the approval of Conservative MPs as he insisted there was no question of Britain removing its veto on the appointment of Mr Jean-Luc Dehaene.

His statement came amid clear signs that the Eurosceptic right of the Tory party is moving to capitalise on the reaction to the veto by insisting the prime minister take a tougher line across a range of European issues. Other prominent Euro-sceptics said Mr Major must be ready to use the veto again if another "federalist" candidate is proposed for the Commission presidency.

Dollar falls to new postwar low of Y99.50

By Philip Coggan and Philip Gawith in London

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Tokyo set to defend dollar .... Page 9
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The dollar fell again yesterday, dropping below the key level of Y100, but this time there was no repeat of Friday's concerted central bank intervention to support the US currency.

In Tokyo, where the dollar slumped to a new postwar low of Y99.50, analysts estimate the Bank of Japan spent between $750m and $1bn supporting the US currency. One factor behind the dollar's weakness was the collapse of Japan's Hata administration, which raised fears that a deal in the long-running US-Japan trade talks was now less likely.

In European trading, there was an atmosphere of "phoney war" as markets waited for central bank intervention that never came.

However, fears of a dollar collapse were averted and the US currency managed to rally above Y100 during the European morning session. By the London close, the dollar was back down to Y99.865. Against the D-Mark it finished at DM1.5758, nearly 2 pfennigs below the level where Friday's intervention commenced.

The dollar's weakness in Tokyo caused most European stock and bond markets to open lower, but they rallied as the US currency held fairly steady. Analysts said the markets were pausing for breath after Friday's battering.

The FT-SE 100 index opened 31.9 points lower at 2,844.7 but steadily rallied to close at 2,899.9, up 23.3. Gilts were particularly strong, with the September long gilt future rising 1¼ points on rumours of a US hedge fund buyer and on hopes that the Treasury would today lower its forecast for the 1994-95 public sector borrowing requirement.

German bonds rallied in afternoon trading to close with gains of around 0.4 of a point, and in Frankfurt the DAX index, having closed 16.71 points lower at 1,988.60, rebounded in after-hours trading to 2,000.48.

By lunchtime in New York, the Dow Jones Industrial Average was up 15.86 points at 3,652.80 and the key 30-year long bond was virtually unchanged.

Earlier in the day, Asian equity markets were knocked back by the weakness of the dollar, and by fears that the US Federal Reserve might be raise rates.

In Tokyo, the Nikkei 225 fell 2.2 per cent or 465.79 points to 20,300.96, while in Hong Kong, the Hang Seng index dropped 223.52 points to 8,647.48. In Australia, the Sydney stock market suffered its biggest one-day fall for nearly three years.

There are mixed views in the market as to whether central banks will intervene to support the dollar again this week, or wait until late July or August before moving decisively.

However, most observers agree the central banks are not concerned about the absolute level of the US currency but are worried about the implications of continued weakness for financial markets and world economic growth.

Eyes on the dollar: Currencies traders watched as the dollar fell below the key level of Y100 Picture: Reuter

Reed Elsevier chief quits over management strategy

By Andrew Bolger and Raymond Snoddy in London

Mr Peter Davis, one of the leading executives in the international publishing industry, resigned unexpectedly yesterday as co-chairman of Reed Elsevier.

The Anglo-Dutch information group said Mr Davis, who had been a key figure in merging Reed International of the UK and Elsevier of the Netherlands in January 1993 had resigned in a dispute over the group's future management structure.

The executive committee, which runs the merged company – Reed and Elsevier keep separate listings on the UK and Netherlands stock markets – decided that in future the co-chairmen should be responsible for strategy, management development and corporate communications. Two of the other members of the committee will be responsible for the operating businesses, which range from consumer magazines and newspapers to business and academic publications.

The company said that although there was full agreement within the board on strategy, Mr Davis had offered his resignation because the new allocation of responsibilities would not enable him to play an effective role suited to his management style".

The City took a relaxed view of Mr Davis's departure mainly because of the assurance that the group's interim results – due in August – were on budget and would be usefully ahead of last year".

Reed International's shares initially shed 60p on the news but recovered to close at 770p, down 9p on the day. In Amsterdam, Elsevier's shares closed Fl 1.8 lower at Fl 150.2, having dipped to Fl 145 at one stage.

Mr Davis said yesterday: "I have given a lot to Reed so the decision was not taken lightly... The business has done well and is doing well." He is expected to receive considerably less compensation – under £1m – than his three-year contract might imply.

A leading investment institution said of Mr Davis: "He was an essential part of Reed's repositioning. But perhaps he was used to doing everything himself. If that is the case, his departure may be a good thing."

As a result of the resignation, Mr Ian Irvine, now deputy chairman of Reed International, becomes a co-chairman of Reed Elsevier.

Mr Irvine emphasised that it was business as normal at the company and work would soon begin looking at two large potential acquisitions, the database interests of the Mead Corporation and Ziff Communications, although Reed Elsevier would not try to buy both.

Mask slips on 'perfect merger', Page 19; Lex, Page 18

Unilever facing fresh claims in soap war

By Tony Jackson in London

Unilever, the Anglo-Dutch detergent giant, faced potentially damaging allegations from across Europe over its revolutionary new soap powder yesterday, as the soap war with US rival Procter & Gamble appeared to tilt in Procter's favour.

The Unilever powder, known as Persil Power and Omo Power, has been attacked by Procter as harming clothes.

In separate developments yesterday:

● Unilever refused to comment on allegations in the Dutch weekend press that Unilever management had ignored advice from its own researchers that the product should only be used at low temperatures.

● Henkel, the German detergents giant, which owns the Persil brand name in Europe outside the UK and France, said its tests had confirmed Procter's claims of damage to clothes.

● The UK Consumers Association attacked Unilever for launching a modified version of the powder this week, which is being sold alongside the original version without distinguishing between the two.

Unilever said it had "no reaction" to an article in Saturday's edition of the Dutch daily newspaper NRC Handelsblad, claiming that the row over the new powder resulted from a "lack of communication" between Unilever's research and marketing departments. However, an adviser to Unilever dismissed the allegation as untrue. "This is uninformed gossip from junior research people," he said.

The Austrian subsidiary of Henkel claimed yesterday that tests carried out by itself and an independent research institute had confirmed that Omo Power damaged cotton textiles after 12 washes, with particular damage after 25 washes.

Henkel has been at pains to point out that its powder has no connection with the Unilever version.

In the UK, assistant director of the Consumers Association, Mr

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The EU's unseemly family feud

Lionel Barber tracks the rivalry and division that ended in failure to decide on a successor to Delors as the new Mr Europe

On the evening of December 9 1991 the leaders of western Europe gathered in the Dutch border town of Maastricht for final negotiations on a new treaty on European political and monetary union.

Over dinner in Maastricht City Hall, the conversation turned to the future of Jacques Delors, the visionary, volatile Frenchman who had contributed as much as anyone around the table to the cause of European integration. Delors' second term as president of the European Commission was due to expire at the end of 1992. It was time to think about a successor.

"It must be one of us," declared Felipe González, Spain's prime minister, to general approval.

From his first month in office, in 1985, Delors had steadily accumulated power. The 1992 Single Market programme, the European Economic Area, the grand design for political and monetary union – all bore his indelible mark. Delors had turned into Mr Europe. Next time, Europe's leaders wanted the Commission president to come from their own ranks.

The president is chosen by unanimous decision of the 12 heads of government of the European Union, meeting in secret session known as the European Council. The Maastricht dinner conversation appeared to seal the chances of one member of this exclusive club – past or present – taking over the top job in Brussels.

But that solemn pledge of solidarity degenerated over the next two and a half years into a family feud that culminated in the debacle in Corfu at the weekend when the UK vetoed the choice of Jean-Luc Dehaene, the Belgian premier. It has also cast the entire process of selecting the president of the European Commission into question.

The story of the Delors succession offers a rare insight into the manner in which Europe's leaders conduct business. It is a tale of rivalry between small and larger states, fear about the preponderance of German power, and the predicament of the UK inside the European Union – a fact underlined by British prime minister John Major's calculation in the early hours of last Saturday morning that isolation among his European partners was preferable to losing the support of Conservative Euro-sceptics at Westminster.

It is also a story about the mental contortions and hesitations of one man: Ruud Lubbers, the youngest and longest-serving Dutch prime minister ever, whose hopes of a new career on the European stage foundered on Chancellor Helmut Kohl's resentment over his attitude to German unification.

At least two leaders present at that Maastricht summit had their ambitions fixed on succeeding Delors. The first was Lubbers, a millionaire who came from a line of Rotterdam industrialists. The Jesuit-educated Lubbers' weak point was a stubborn streak and a self-appointed mission to "stand up to the Germans", says a senior EU diplomat.

The second was Wilfried Martens, a long-serving Belgian prime minister whose enthusiasm for European political integration infuriated Margaret Thatcher, the UK prime minister, in the 1980s. A thoughtful man from Flanders, his chief disadvantage was that he had alienated President François Mitterrand, resisting the French leader's campaign to move the European Parliament full-time from Brussels to Strasbourg.

In the spring of 1992 Chancellor Kohl, still riding high after the unification of Germany, informed Martens that he was the best candidate to head the Commission. Kohl had sent a similar message to González the previous year. But Martens guessed, correctly, that González would be unable to leave Madrid without bringing down his Socialist government.

But the summer of 1992 changed everybody's calculations. Danish voters rejected the Maastricht treaty in a referendum, plunging the Union into crisis. Suddenly, Delors did not look so dispensable. Despite mutterings from Major, Delors was re-appointed for a third term, albeit for a curtailed two-year stint ending on January 5 1995.

At that point, EU club rules suggested that the successor to Delors – a French socialist – should be a conservative from a small member state. As president of the European People's Party, the umbrella for the Christian Democrats, Martens looked well-placed. He had the right background (the Low Countries), and he could count on the support of Lubbers, his most obvious rival.

"Mr Lubbers always defended my candidature," recalls Martens, "He said: I am not a candidate if you are a candidate."

Meanwhile, Sir Leon Brittan, chief EU trade negotiator, had been thinking of making a run for the post for some months and was formally asked to enter the race during a meeting with Major in Downing Street in the spring of 1993. The Brittan candidacy, though clearly a long-shot, appeared to offer the UK a bargaining chip in the coming negotiations.

By the autumn of 1993, it was clear that Martens' chances of succeeding Delors were ebbing away. He had resigned as premier a year earlier, his energy sapped after more than 11 years in office juggling the Flemish and French factions in a stream of coalition governments. His successor was his former chief of staff, a little-known Flemish politician by the name of Jean-Luc Dehaene.

Dehaene's political career advanced under the trade union wing of the Christian Democrats. He was known as "the fixer", "the plumber" or "the carthorse". Despite his vulgar language, scruffy donkey jackets, and greasy hair, Dehaene was widely recognised as the power behind the premiership in the late 1980s.

On July 1 1993 Belgium took over the rotating EU presidency from Denmark. The prospects were poor: the Maastricht treaty was still unratified in the UK, and the German Constitutional Court had still to pronounce its verdict on it. Divisions inside the Union were emerging over world trade talks under the General Agreement on Tariffs and Trade. On August 2 the European exchange rate mechanism collapsed under a wave of speculation against weaker currencies, forcing members to create a de facto floating exchange rate system.

For Dehaene, the idea of a run for the Commission presidency could not have been more remote. His coalition government remained shaky. Labour unrest threatened. There were calls to abandon the policy of shadowing the D-Mark, a move which would have jeopardised Belgium's anti-inflation policy.

The "plumber" pulled out his tool-box and produced plans for a "social pact" – an agreement between government, employers and trade unions which amounted to Belgium's most ambitious austerity programme since the second world war.

Watching events in Belgium with interest was Chancellor Kohl. His favoured candidate, Martens, had failed to win the support of the Belgian government and Lubbers was anathema to him. The only candidate on offer was Sir Leon, whose free trade views and British nationality were unacceptable to France, Germany's main partner.

A senior German official says that Kohl was soon impressed with Dehaene's down-to-earth manner, his energy and his political skills. "The Belgians are the artists of compromise because of the precarious nature of their country.

That is very attractive for Kohl who is also a wheeler dealer by nature," recalls the official.

A special European Council called in Brussels to decide the location of more than a dozen new Euro-institutions provided the occasion for their relationship to develop.

Kohl was desperate to secure the the European Monetary Institute, forerunner of a future European central bank, for Frankfurt. Putting the EMI in the same city as the Bundesbank was viewed as "the absolute minimum" needed to appease the German public's fears about giving up the D-Mark in exchange for a single European currency. But the British were holding out for London, and Lubbers was campaigning for Amsterdam.

One week before the Brussels summit, Lubbers delivered a provocative speech in the German town of Münster. He suggested that Germany was exaggerating its role as "paymaster of Europe". He said it was unwise to neglect the interests of smaller member states in a political union. He added that the Dutch guilder was just as sound an "anchor" currency as the German mark.

Kohl was furious. He thought Lubbers was underestimating the shift in German public opinion against Maastricht and the single European currency – a shift which threatened to undermine his own historic mission to bind a newly-united Germany into an integrated Europe.

The summit in Brussels on October 29 1993 opened with a torrent of special pleading, with the Spanish and British at their most aggressive. "Dehaene was a model of self-control," recalls a participant. "He sat perfectly still and let the others run out of steam until they realised there was no other answer (to Frankfurt). That takes a lot of nerve."

Kohl was so impressed that he asked Dehaene why he had not thought of putting himself forward as a candidate to succeed Delors. The Belgian premier was stunned. A friend recalls that he could not imagine that he was in the same league as Delors. His initial response was to employ his favourite weapon: silence.

The German approach was the result of prior consultation with the French. President Mitterrand had already agreed with Chancellor Kohl that, after Delors, it was a Christian Democrat's turn to head the Commission. Edouard Balladur, the French prime minister, later told French journalists that he had come up with the name of Dehaene.

Around this time, Lubbers talked to Kohl. "He asked me if I was interested in the job. I did not exclude the possibility," recalls the Dutch premier. "He asked me if I was supporting Mr Martens. We agreed to try to seek a (joint) Christian Democrat candidate."

The conversation ended with a promise to talk things over again in the spring. Lubbers did nothing to encourage the impression he wanted the job; but Kohl may have deliberately introduced Martens' name to signal to Lubbers he could not expect German support.

The exchange points to the complex relationship between the two men. Kohl has never much liked Lubbers, and Lubbers has never much cared for Kohl. Some blame Dutch uneasiness about their big German neighbour and the memories of Nazi occupation.

A senior EU diplomat says Kohl cannot abide his manner and his independent streak. All agree the relationship soured irretrievably during German unification. Later, in a private moment of exasperation, Kohl declared he was against Lubbers because he was "egotistical, anti-German and an accountant".

Lubbers was not alone in harbouring doubts about the speed with which Kohl sought to unify East and West Germany in 1989-90. Mitterrand and Thatcher shared his concerns. But it was the Dutch leader who spoke out most forcefully over a dinner at the European summit at Strasbourg in December 1989.

Lubbers began by saying there were dangers in talking about self-determination and "one German people". It was impossible to unite all the Germans in Europe. He urged Kohl to be clear about the Oder-Neisse line – which marked Germany's border with Poland – so as not to "give expectations" to Poland's minority German population.

Kohl said Germany had paid for the last war by losing one third of its territory. He intended to be "100 per cent" clear on the Oder-Neisse line, but the timing of his statement on it would be his own responsibility. As the dinner broke up, one participant recalls Kohl thundering at Lubbers: "You have not learnt the lessons of history."

On January 10 1994, the date of the Nato summit in Brussels, Lubbers was again asked whether he wanted the Commission job. This time, it was González who failed to receive a clear answer. Fearing that Kohl would renew pressure on him to run, González issued a statement saying he had no intention of leaving Madrid and that his first choice was Lubbers.

The next approach came from the French. Again, Lubbers declined to give a firm commitment, citing uncertainty about the upcoming general election in the Netherlands.

Lubbers admits in retrospect that he may have played into the hands of Bonn and Paris by giving the impression that he was not interested in the job. What is more, by this time Sir Leon, exploiting his role in reaching an agreement in the Gatt world trade talks, was touring Europe's capitals in the first-ever public campaign for the top Brussels job.

On February 9, Martens visited Dehaene who hinted for the first time that he was thinking about the Commission presidency.

The truth dawned on Martens two weeks later when he visited Hamburg to attend the Christian Democrat congress. Chancellor Kohl indicated he might be interested in backing Martens to be head of the Christian Democrat grouping in the European Parliament, after the death of Bernard Saelzer, Kohl's protégé. Then the Chancellor added: "I don't understand why Dehaene is not a candidate [for Commission president], he handled the presidency [of the Union] so well."

The following day, February 23, Delors paid a visit to Madrid to see González. He asked the Spanish premier if he was running. The answer was No. "In that case, it will be Dehaene," said Delors, to González's surprise.

Soon afterwards, word of the Franco-German push for Dehaene was leaked to the Guardian newspaper. It looked like a trial balloon to test reaction among the other member states. The Belgian premier remained silent, though by some accounts he had not been forewarned.

By April, Lubbers was becoming desperate. He remained committed to Martens, but was pressing his own candidacy privately in European capitals. Yet his public position was that he would declare his intentions only after the Dutch general election on May 3.

Lubbers' position looked all the more vulnerable when Peter Sutherland, the Irish head of Gatt and a former EU Competition commissioner, announced that he would leave his post at the end of the year. He then hinted he might be interested in the Commission job – only to be disowned by the Irish government.

Minutes after the result of the general election result in the Netherlands, Lubbers ordered a fax to be sent out formally announcing his candidacy. Belatedly, he sought to curry favour with Kohl. In a speech in Aachen, he paid tribute to Kohl as a statesman with vision, and declared that he had not opposed German unification.

Privately, Lubbers turned bitter about his prospects of winning support from EU leaders, now that he was ready to step down as prime minister. "They are throwing me away like an old sock," he said.

By this time, France and Germany were increasingly confident of Dehaene's prospects. It seemed only natural for Kohl and Mitterrand (accompanied by Balladur) to agree on the Belgian premier as a common candidate when they met in Mulhouse to co-ordinate positions before the European Council in Corfu.

Their desire was to select a candidate who would not run the Commission as his own power base as Delors had occasionally appeared to be doing.

In retrospect, it is clear that the French and Germans overplayed their hand. Though there was nothing out of the ordinary about Paris and Bonn reaching a common position, it looked like a *diktat* to the rest of the Union. This impression gained force when officials leaked the name of Dehaene even though the Belgian premier had still not publicly announced his candidacy.

For the Greek presidency, things were running out of control. The one chance of avoiding an unseemly row was a "package", whereby the Commission job could be traded as one of a number of top jobs in Europe. These included those of secretary general of Nato and of the Organisation for Economic Co-operation and Development, director general of the World Trade Organisation, and the top civil servant post of the European Council.

But this required diplomatic skill (not least because the Nato, OECD and WTO jobs were not within the EU's exclusive preserve), and political leadership. With Andreas Papandreou, the ailing 75-year-old Greek premier, unable to travel, the job of sounding out EU partners fell to Theodoros Pangalos, the unpredictable European affairs ministers. Several leaders, including Kohl and Mitterrand, deemed him too junior to talk to before Corfu.

It was only fitting that the battle for the Delors succession should reach a climax over a dinner of the 12 heads of government, just as it had begun two and a half years earlier – this time accompanied by the leaders of Austria, Finland, Sweden and Norway, the four countries planning to enter the Union next year.

The setting this time was the Achilleon, a gaudy 19th century palace built for the Empress Elisabeth of Austria. At a given moment, Dehaene and Lubbers were invited to leave. They were replaced by their deputies – Willy Claes, Belgian foreign minister, and Wim Kok, Dutch finance minister.

Major opened with a presentation on behalf of Sir Leon Brittan. Kok spoke for Lubbers, and Claes for Dehaene. Papandreou, visibly weak, then surprised everyone by calling for an immediate secret ballot – only the second time in the EU's history that a formal vote has taken place rather than the customary practice of using a general discussion to reach a consensus.

Eight countries led by France and Germany expressed a preference for Dehaene: Belgium, Denmark, Greece, Ireland, Luxembourg, Portugal. Three voted for Lubbers: the Netherlands, Spain and Italy. Sir Leon received the solitary vote of the UK.

Just before midnight, Papandreou retired to bed. The meeting broke up. But within a quarter of an hour, it was reconvened under the chairmanship of Pangalos.

Major sat at the end of the table, well clear of Kohl and Mitterrand. "This is not going to be sorted out tonight," he warned, "I won't agree to Mr Dehaene even if the vote is 11 to one."

Other prime ministers sought to persuade Major to come round, but he was irreconcilable. The job of the president of the European Commission was "one of the most important in the world", he said. "For the umpteenth time, I am not going to support Mr Dehaene." Kok asked why Kohl was against Lubbers. "I don't have to explain this," said the German Chancellor. Kok threatened to walk out.

President Mitterrand, a veteran of more than 20 European Councils, said it was clear that a solution could not be reached quickly. Kohl, who had done so much to promote his protégé Dehaene, looked across the table. "We need new candidates," he sighed.

CLUB MEMBERS

(left to right above)

Dinner, Achilleon palace, Corfu

Friday, 24 June 1994

Helmut Kohl	*Chancellor*	*Germany*
Felipe González	*Prime Minister*	*Spain*
John Major	*Prime Minister*	*United Kingdom*
Andreas Papandreou	*Prime Minister*	*Greece*
Jean-Luc Dehaene	*Prime Minister*	*Belgium*
François Mitterrand	*President*	*France*
Silvio Berlusconi	*Prime Minister*	*Italy*
Ruud Lubbers	*Prime Minister*	*Netherlands*

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With looming elections on its mind, Bonn is expected to be diplomatic in presiding over EU wrangles

Germans likely to take a quiet approach

By Quentin Peel in Bonn

The German presidency of the European Union has still not begun, and yet already accusations of German high-handedness are being heard in such capitals as London and The Hague.

The unseemly wrangle at the Corfu summit over a future president of the European Commission was precisely the sort of start that German officials and diplomats were hoping to avoid.

Whether justified or not, the charges about the way Chancellor Helmut Kohl sought to promote the candidacy of Mr Jean-Luc Dehaene, the Belgian premier, against Mr Ruud Lubbers of the Netherlands, were what senior Bonn diplomats had feared would happen.

When they take the reins of the EU council of ministers on July 1 for the rotating six-month presidency, Bonn's officials and ministers will be bending over backwards to be effective and persuasive, but certainly not pushy.

"We are very conscious of the sensitivity of some of our fellow member states, so we see a particular need to be sober and restrained," a senior diplomat said last week.

Add to that the coincidence of Germany's marathon election year, with five state polls and a general election in September-October, and the chances of an aggressive and high-handed German presidency are extremely slim.

Mr Klaus Kinkel, the foreign minister, and Mr Günter Rexrodt, the economics minister – the two most important ministers involved – are fighting a desperate rearguard action to keep their minority Free Democratic Party in parliament at all. Mr Kohl and Mr Theo Waigel, his finance minister, will be delighted to welcome all opportunities for a televised high international profile. But their priorities are all domestic until October 16, the general election day.

"It is one reason Germany has been keen to co-ordinate its presidency with France next year, and then Spain," according to one foreign diplomat. "They are worried that they will get very little started this year."

Another argument against expecting too many fireworks from the next six months is that Germany is anxious not to alienate electors in Finland, Norway and Sweden, the three future member states that still have to hold referendums to ratify their accession treaties. Thus any talk of sweeping institutional reforms at the forthcoming 1996 conference is being firmly discouraged.

In spite of that, the ministries have been working hard to draw up a clear programme of EU priorities, which Mr Kinkel will spell out to the German Bundestag tomorrow.

The first is simply trying to make the Maastricht treaty work. That means, in particular, putting the reforged relationship between the newly elected European parliament and the council of ministers on a good working basis. Germany is determined to take the parliament seriously.

That is one important reason why Mr Kohl wants to agree on a candidate for the European Commission before July 18 – when that person is supposed to address the parliament in Strasbourg for the first time. It is also why he pushed hard in Corfu to have parliamentary representatives fully involved in the working group preparing for the 1996 conference.

Another aspect of making Maastricht work will be a big effort to promote ever closer co-operation on both foreign policy and internal security between the member states.

Thus the whole area of opening up the EU to central and eastern Europe, in areas of political co-operation as much as market opening, is a clear German priority. But Mr Kohl and Mr Kinkel will be making every effort to ensure that EU policy is pushed as much by other member states as by themselves.

The German government has always been keen to promote co-operation on crime-fighting, anti-drugs operations, and common immigration policies.

As for economic policy, the theme will be deregulation, and the emphasis will clearly be on firm cost control. It is the one area where there could be tension between Germany's national interests and its presidential priorities. For there are election pressures to keep German payments to Brussels more strictly under control.

Mr Waigel has already promised to be a hard financial task master in fixing next year's EU budget.

Dublin pressed to give backing for Sutherland

By Tim Coone in Dublin

The Irish government is coming under growing opposition pressure at home to give its backing to Mr Peter Sutherland, outgoing director-general of the General Agreement on Tariffs and Trade, as a compromise candidate to succeed Mr Jacques Delors as president of the European Commission.

Mr John Bruton, leader of the opposition Fine Gael party, is to table an emergency motion in parliament today in an effort to force the government's hand on the issue.

"There has to be a way of re-engaging Britain with Europe," Mr Bruton said yesterday. "This is Europe's biggest problem now. If Britain moves further away from Europe, Ireland stands to lose the most because of our trade dependence. Peter Sutherland is someone who can bridge that gap.

"He is a committed European but one who can speak to the British in terms which does not provoke their prejudices."

Mr Sutherland was a former attorney-general in a Fine Gael-led government in the 1980s, and a former EU competition commissioner. He would have to be a commissioner to be eligible for the presidency post and the present Fianna Fail-Labour coalition government has insisted that it has no intention of replacing Mr Padraig Flynn, Ireland's commissioner, who holds the Social Affairs portfolio in Brussels.

Ms Mary Harney, leader of the opposition Progressive Democrats party, which is also backing Mr Sutherland, said yesterday: "There is no country blocking Mr Sutherland except his own. There is nobody against him except the Irish government which is a crazy situation."

Plans for telecoms infrastructure gather pace

By Emma Tucker in Brussels and Andrew Adonis in London

A rapid acceleration of plans to liberalise the supply of telecommunications infrastructure across the European Union is likely following the Corfu summit.

A consultative document could be published as soon as this August setting a firm timetable for liberalisation, despite continued opposition from national telecoms operators fighting the loss of their monopolies.

At Corfu the heads of government gave broad support to the recommendations of the Bangemann group of industry leaders, which called for speedy liberalisation of EU telecoms infrastructures and services.

Mobile, satellite and other business-related services are already open to competition. Union governments agreed last year to set a target date of 1998 for the opening to competition of basic "voice" services, which account for most of the revenue of the telecoms operators.

However, the question of competing infrastructure, as permitted in the UK, was left for decision in 1995 with no prior commitment to liberalisation. The Bangemann group's objectives – to bring forward the decision and secure a commitment to infrastructure competition – were endorsed by the heads of government.

A senior commission official said: "To follow up the recommendations of the Bangemann group, there is a need for something shorter and punchier in addition to the green paper. We need a target date for infrastructure liberalisation."

The most favoured date appears to be 1998, to coincide with the liberalisation of telecoms services. However, senior officials in the Commission's telecoms directorate want to see immediate competition for infrastructure to supply services – such as private corporate networks – already open to competition.

Given the proximity of January 1998, they believe that such a move would encourage new operators to build infrastructure immediately capable of extension or adaptation as competition is extended to public "voice" services.

They are attracted to the competitive potential of radio and microwave technology and existing cable television networks. The extent of cable networks varies widely across the EU, but the conversion of cable systems could bring early nationwide competition in Germany, Ireland and the Benelux states.

National operators in France, Italy and Germany believe the process towards liberalisation is moving too fast. Consultations on the mobile telecoms green paper in Brussels earlier this month attracted opposition from France Telecom, Deutsche Telekom and Stet, the Italian state company, to the pace of planned liberalisation.

The companies asked the Commission to wait until it published plans for infrastructure liberalisation across the industry. "Their objections just amount to more prevaricating," said the Commission official.

Backing Brussels' move to push forward decisively with liberalisation, EU heads of government agreed that member states should create a new ministerial post to co-ordinate all aspects of telecoms development: political, financial and regulatory.

The summit also agreed that that the Commission should establish a regulatory framework, concerned with access to markets, compatibility between networks, intellectual property rights, data protection and copyright.

Kravchuk faces run-off poll against Kuchma

By Chrystia Freeland in Kiev

Mr Leonid Kravchuk, the Ukrainian president, and Mr Leonid Kuchma, the former prime minister, will face each other in a run-off election scheduled for July 10 to select the country's next leader, officials said yesterday.

Preliminary returns from across Ukraine suggest that the two men are clearly ahead of the five other presidential candidates, but neither obtained the outright majority required for victory in the first round.

Leonid Kravchuk: fighting to stay on as president

Sunday's vote underscored deepening regional divisions. Mr Kuchma, who was a director of the former Soviet Union's largest missile factory and who promised to bring law and order to Ukraine, improve links with Russia and boost economic performance, won a landslide in the mainly Russian-speaking eastern Ukraine and the separatist Crimean peninsula, taking up to 80 per cent of the vote.

Mr Kravchuk, who sought to position himself as the only candidate able to preserve stability and national unity, won more than 90 per cent of the vote in the less populist, but fiercely nationalist, west of the country.

Results are more sparse from the Ukrainian heartland, but the Interfax news agency reported that, in Kiev, 42 per cent of the vote went to Mr Kravchuk and only 19 per cent to Mr Kuchma.

In contrast with neighbouring Belarus, where an outsider won a plurality of the votes in the first round of presidential elections last week, the five other candidates were far behind the two leaders. Mr Oleksandr Moroz, the hard-line socialist who leads the dominant bloc in parliament, was placed a poor third.

While Mr Kravchuk and Mr Kuchma will return to the campaign trail to continue the fight over the two main issues in Ukraine – national sovereignty and the economy – important changes are expected in the government.

In a move criticised by Mr Kuchma, the president and parliament approved a new prime minister, Mr Vitali Masol, before the election.

Mr Masol, like Mr Kravchuk, was a Communist party functionary and was expected to continue the Ukrainian government's lacklustre economic performance. But some western diplomats and Ukrainian cabinet ministers now say that Mr Masol has undergone a conversion to the market and is following the path of Russia's unlikely reformist, Mr Victor Chernomyrdin.

Mr Roman Shpek, Ukraine's reformist minister for the economy, said the prime minister had asked him to stay on. Senior Ukrainian officials predict that when Mr Masol asks parliament to approve a new cabinet later this week, other reformists will be appointed and opponents of change will be sacked.

In what some observers view as an 11th-hour effort to burnish Mr Kravchuk's economic track record, Ukrainian officials say that the government will ask parliament this week to approve a number of progressive laws, including price liberalisation and the abolition of the country's fixed exchange rate system.

Protest grows over Lisbon bridge toll

By Peter Wise in Lisbon and Jimmy Burns in London

Portugal's centre-right government is facing a growing campaign of civil disobedience in protest against a 50 per cent rise in the toll for crossing the April 25 suspension bridge over the Tagus river in Lisbon.

The protests, which continued for the eighth consecutive day yesterday, are fuelling controversy over the award of a Esc180bn (£707m) contract to build a second bridge in Lisbon to a consortium led by Trafalgar House of the UK.

Riot police intervened on Friday to lift an 11-hour blockade mounted by angry lorry drivers across the only bridge linking Lisbon with southern Portugal. Many commuters continued the revolt yesterday by refusing to pay the toll, honking their horns and paying in large notes or with bags of small coins.

The opposition Socialist Party (PS) called on Mr Joaquim Ferreira do Amaral, public works minister, to answer questions in parliament on the toll increase and the award of the contract for the new bridge.

Mr Jorge Sampaio, socialist mayor of Lisbon, yesterday urged the government to suspend the increase in the toll. The bridge is crossed by more than 110,000 vehicles a day.

The government said the rise in the toll for a two-way crossing to Esc150 for cars and Esc720 for lorries was needed to help finance the building of the second bridge and a Esc112bn railway crossing under the existing bridge.

The civil disobedience campaign against the government has refuelled a public row between Trafalgar House and the French company Bouygues whose consortium lost a bid to build the second bridge.

Bouygues claimed yesterday that its offer involved a lower toll price for the second bridge. "We proposed the cheapest toll possible because we realised it could be a very political issue," a senior Bouygues manager said yesterday. The company is still hoping that the government will rescind its decision.

Mr Ferreira do Amaral has told Bouygues that the decision to award the contract to Trafalgar House group was based entirely on the recommendations of independent experts who studied the two groups' proposals for six months. A Portuguese government official said the deadline for Bouygues to take judicial action over the decision had passed.

Mr João Morais Leitão, a Portuguese lawyer representing the Trafalgar House consortium, said: "The fact that the Bouygues group has decided not to present a claim against the award in my mind clearly shows that they do not have grounds for making such a claim."

He said negotiations on the technical aspects of the new bridge were the first to be completed and were closed by both bidders in January.

Hundreds of vehicles block the south approach to the bridge in a toll-rise protest last Friday AP

Moscow woos foreign investors

By John Lloyd in Moscow

Russia's prime minister yesterday made his strongest bid yet for foreign investment – promising tax holidays and an end to restrictions on capital movements and land ownership.

Speaking to leaders of foreign companies with substantial investment in Russia, Mr Victor Chernomyrdin claimed his package of draft laws – which must still pass through parliament – would improve the meagre investment record by the end of the year.

"For any normal economy it is a sign of improvement when it moves towards a realistic investment policy – and Russia has made the first steps in that direction. "Never since the start of 1992 [when economic reform began] have we had a political atmosphere so favourable for a normal course of reforms," he told the business group, which is advising Moscow on investment.

Government figures show that foreign investment is weaker than had been thought. Mr Jakov Yurinson, the first deputy economics minister, told the gathering that foreign investment had totalled only \$2.7bn (£1.8bn) over the past five years – and would be no more than \$1bn in 1994.

The government also said yesterday there were signs of economic improvement. Inflation would be brought down to below 7 per cent a month by the end of the year – and would fall further to 5 per cent by the middle of next year and to 3 per cent by its end, Mr Sergei Dubynin, the acting finance minister, said.

The lengths to which Mr Chernomyrdin was prepared to go appears to signal a realisation that Russia's maze of regulations and taxes and the growing power of organised crime gangs are a powerful disincentive to international capital with other, more stable, developing markets from which to choose. Mr Boris Yeltsin, the president, this week introduced a decree to crack down on organised crime, although parliament argues the decree is unconstitutional.

The measures promised by Mr Chernomyrdin are:

- A five-year income tax holiday for foreign companies;
- An end to restrictions on the movement of capital in and out of the country;
- The right to retain all hard currency earnings from exports;
- No import tax payable on materials used for production;
- A three-year exemption from any changes in tax legislation – seven years if the foreign holding is above \$100,000.

Further drafts shown by Mr Chernomyrdin to business leaders yesterday were plans for the establishment of free economic zones and a new law on foreign investment.

The group is chaired by Mr Michael Henning, chairman of the consulting company Ernst and Young, and includes heads of such companies as ABB Brown Boveri, Coca Cola and United Technologies. The government is also being pressed, according to one western businessman at yesterday's meeting, to create either a new ministry to deal with foreign investment or a series of committees with the power to push through legislation and improve the climate.

Mr Chernomyrdin laid out a long and tempting list of projects in which he wanted foreign participation – such as toll highways, bridges, tunnels and cargo terminals. He said that the government attached particular importance to the development of small and medium-sized business with the aid of foreign partners.

SPD ready to join Kohl on postal privatisation

By Michael Lindemann in Bonn

Germany's opposition Social Democrat party said yesterday it was likely to support a crucial vote to change the constitution and clear the way for the sale of the postal and telecommunications service, the country's largest privatisation.

Mr Hans Gottfried Bernrath, the SPD telecommunications spokesman, said the party leadership was due to endorse the privatisation plans at a meeting last night, overriding objections from the German Postal Union (DPG).

Chancellor Helmut Kohl's government needs a two-thirds majority in the Bundestag, or lower house of parliament, tomorrow – days before the summer recess – so that the constitution can be changed and the privatisation can go ahead.

If the change is approved, the state-owned postal and telecommunications service which employs 670,000 people will be turned into three joint stock companies on January 1, 1995: Deutsche Telekom, Postdienst and Postbank, the post office's banking arm.

Telekom, the first of the three likely to be fully privatised, wants to offer 30 per cent of its capital to the stock market in 1996. The SPD has said it will back privatisation if money can be found to guarantee future pensions payments and other rights.

These safeguards have been mostly agreed but Mr Peter Paterna, the SPD deputy who chaired the parliamentary postal committee which oversaw the legislation, said the package before parliament was a "disaster".

An independent study forecasts that the three companies would have to find about DM35bn (£14.2bn) to cover pensions and other commitments, making it difficult for them to keep up with their international competitors, Mr Paterna said.

He accused the finance ministry of being short-sighted for failing to make more money available.

Burdened with extra liabilities, the share issue price for the companies is now likely to be much lower and the shortfall will have to be financed by the finance ministry anyway, Mr Paterna said.

Meanwhile a series of warning strikes and demonstrations which have interrupted the postal service during the past three weeks were set to continue as talks between management and the DPG remained deadlocked.

Serbs mark fateful anniversary

Moslems press Bosnia offensive

By Laura Silber in Belgrade and Bruce Clark in London

The Serbs will today mark one of the most fateful anniversaries in their region's history, amid ominous signs that its future is again being decided on the battlefield and not around the negotiating table.

The forces of Bosnia's Moslem-led government, who have gained ground in recent fighting, were engaged yesterday in fierce artillery duels with Serb fighters in the north of the republic.

A British soldier was killed in an exchange of fire with Serb troops on Sunday night near the Moslem enclave of Gorazde in eastern Bosnia, the United Nations said yesterday.

He was the sixth Briton to die in the on-going conflict.

The contact group of US, Russian and west European negotiators is expected to announce a high-level meeting by next week at which the warring parties in Bosnia will be pressed to accept a partition formula.

Both sides have in recent days pledged to fight on, in spite of the ceasefire which came into force on June 10 and initially held quite well.

Mr Radovan Karadzic, the Bosnian Serb leader, said the new peace efforts were doomed because "Serb soldiers are the only ones who draw maps on Bosnian territory".

His remarks may have been directed at a domestic audience on the eve of today's twin anniversary of the battle of Kosovo, when the Serbs were subdued by the Turks in 1389, and the 1914 assassination in Sarajevo which triggered the first world war.

In recent interviews, General Rasim Delic, commander of the Bosnian army, has said his army is entering the "liberation phase of the armed struggle".

Commander Eric Chaperon, a UN spokesman, yesterday reported artillery duels of up to 15 rounds a minute, suggesting that the fighting was unusually intense.

According to unconfirmed local media reports, some 6,000 Serb villagers have fled their stronghold in the Mount Ozren area. Croatian radio said 12 Serb settlements had been captured.

The latest fighting is to the south of the Serb land corridor in the Sava River valley, a strip of land that is seen by all sides as crucial to the outcome of the war. The Serbs have vowed to defend the route because it links Belgrade to Serb-held parts of Bosnia and Croatia. Bosnian Moslem leaders believe they can capture several towns in the north which were mostly Moslem before the war.

Croatia, too, hopes that by severing the corridor they would gain the upper hand against Serb forces who have carved out their own state covering a third of Croatian territory.

Lord David Owen, the European Union mediator, said yesterday he was anxious to see talks restarted soon between the Croatian government and the Croatian Serbs.

EUROPEAN NEWS DIGEST

Dutch parties fail to agree

An historic attempt to form a Dutch government without the Christian Democrats failed yesterday, creating a chance for outgoing prime minister Ruud Lubbers to return to power despite his party's heavy losses in the May general election. Talks lasting six weeks among the other three main political parties were called off after the parties failed to agree on cuts in the Netherlands' social security system. The right-wing Liberals wanted heavy spending cuts, which were opposed by Labour and left-of-centre D66. The Christian Democrats and their forerunner parties have belonged to every Dutch coalition since the first world war and have never been pushed into opposition. *Ronald Van de Krol, The Hague*

West German inflation at 2.9%

West German consumer prices rose by 0.1 per cent in June from May, taking annual inflation to a provisional 2.9 per cent, the German Federal Statistics Office announced in Wiesbaden yesterday. It is the first time since April 1991 that the headline annual rate of inflation has been below 3 per cent, assuming there is no upward revision. The June figure is the same as that for May, although last month the final figure was revised upwards to 3 per cent. The preliminary inflation figure is based on data from the states of Baden-Württemberg, Hessen, North-Rhine Westphalia and Bavaria. Price pressure on rents and services subsided but food prices rose, reflecting seasonal factors. *David Waller, Frankfurt*

Swedish coalition narrows gap

Sweden's right-centre government has narrowed the lead held by the opposition Social Democratic party in the race for the general election on September 18, but still trails by almost 10 percentage points, according to two new opinion polls. They gave Mr Carl Bildt, the prime minister, some encouragement that a return to economic growth this year would win voters back to his market reform policies despite record unemployment. A poll in the newspaper Svenska Dagbladet showed support for the four coalition parties rising to 40.8 per cent from 39.3 compared to a similar poll in May. Both polls showed Mr Bildt's conservative Moderate party was now more popular than at the 1991 general election. However, the Social Democrats, under Mr Ingvar Carlsson, remain clear favourites to form the next government. Although the party slipped by 1.2 percentage points to 49.5 per cent in one poll, in the business daily Dagens Industri, it held steady at 50.4 per cent in the Svenska Dagbladet poll. Much hangs on which small parties overcome the 4 per cent barrier required to get into parliament. The Christian Democrats, coalition members, are hovering around 4 per cent. *Hugh Carnegy, Stockholm*

Local polls blow for Berlusconi

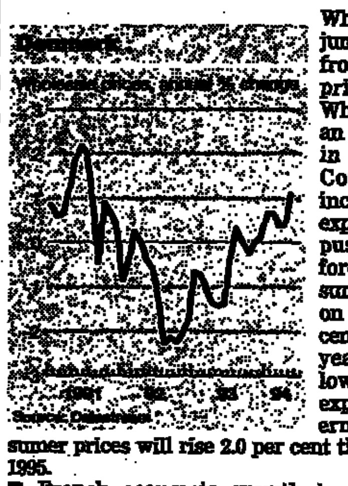
Italy's prime minister Silvio Berlusconi suffered his first electoral setback when opposition candidates won several regional polls, results showed yesterday. His opponents won weekend run-off votes for mayors, provincial presidents and a regional council. The results of elections in 137 smaller cities were issued as the Senate president warned that new national elections could become necessary if the opposition used its slight majority in the upper house to block legislation. However, political analysts said the significance of the polls was muted because of the low turnout, with only about half of the 6m eligible voters casting ballots. *Reuter, Rome*

Robert Mauthner

Robert Mauthner, diplomatic editor of the Financial Times, who died last month, has been named a chevalier in the French Ordre National du Mérite by President François Mitterrand. A service of thanksgiving for the life of Robert Mauthner will be held at noon tomorrow in St Bride's Church, Fleet Street, London.

ECONOMIC WATCH

Danish wholesale prices jump



Wholesale prices in Denmark jumped 0.6 per cent in May from April, and commodity prices rose 0.8 per cent. Wholesale prices had posted an 0.1 per cent monthly rise in April. Economists in Copenhagen said the increases were higher than expected but were unlikely to push consumer prices over forecast levels. Danish consumer prices for May released on June 20 showed an 0.4 per cent monthly and 1.9 per cent year-on-year rise, slightly lower than average market expectations. The Danish government has forecast consumer prices will rise 2.0 per cent this year and 2.2 per cent in 1995.

■ French economic growth in the second quarter was healthy, according to Mr Jean-Claude Trichet, Bank of France governor. He was responding to a question on the bank's latest monthly survey of 12,000 companies. Mr Trichet said the economy had "all the ingredients" for the growth to be "durable and provide sound employment". Inflation would be "2 per cent or less this year and in the years to come".

■ Mr Eduardo Catroga, Portuguese finance minister, said unemployment would not improve until Portugal's recession-hit economy resumed an annual growth rate of at least 2 per cent. The government does not expect this to happen until 1995.

■ Italian wage inflation stood at an annual 2.5 per cent in May, the same level as in April. The May figure compares with an annual growth of 4.1 per cent in consumer prices the same month. Industrial producer prices rose 3 per cent in the year to April.

US giant signs joint ventures with two components makers

Ford plans $50m China investment

By Tony Walker in Beijing

Ford Motor Company is to spend more than $50m (£33m) on its first motor components manufacturing investment in China.

It said yesterday it had signed joint venture agreements with two Chinese components makers, in what it intends to be the first substantive step towards assembling vehicles in China.

The company, which has been relatively slow in comparison with its western rivals in establishing a presence in China, signed agreements with Shanghai companies engaged in producing plastic automotive items such as instrument panels and in making safety glass.

Ford's partners are the Shanghai Automotive Industry Corporation (SAIC) and the Yao Hua Glass Works. Both ventures are expected to get under way this year.

China has told international automotive makers that before they become involved in vehicle assembly in China they must show their commitment by investing in the components sector.

Beijing has placed a freeze on new entrants to vehicle manufacture and assembly until 1996.

Mr James Paulsen, president of Ford China Operations, said the new partnerships "represent the beginning of our manufacturing presence in this important new market and the chance to show our strengths and commitment".

Ford is negotiating other deals with components makers. General Motors and the big Japanese car makers are simultaneously engaged in a similar exercise.

Yen Feng is the largest supplier of automotive trim components in China, while Yao Hua is said to have the highest quality glass fabrication line in China.

Ford, which is in the process of a global reorganisation aimed partly at establishing a much greater manufacturing presence throughout Asia, is also investigating electronics, engine management, cooling and air conditioning systems as other potential areas for collaboration with Chinese enterprises.

Ford officials declined to give a breakdown of the $50m investment between the two ventures. Both agreements are subject to final approval by the Chinese government. Ford is taking a 51 per cent stake in both ventures.

Beijing optimistic over new talks on rejoining Gatt

Guy de Jonquières and Tony Walker on doubts whether China can be re-admitted in time to help found the WTO

Negotiators from China and members of the General Agreement on Tariffs and Trade meet in Geneva today for what promises to mark the start of a critical stage in the seven-year-old talks on Beijing's application to rejoin the organisation.

The four-day meeting is the first since US President Bill Clinton ended uncertainty about China's position in the world trade system this month by renewing Most Favoured Nation treatment of its exports to the US and "de-linking" trade and human rights.

Mr Clinton's decision has lifted a cloud over the Geneva talks. Mr Long Yongtu, China's Gatt negotiator, who has visited Washington and Brussels in advance of this week's meeting, said he was satisfied with his meetings in both places.

He said contacts with US negotiators were "the most positive and fruitful" for two years – an assessment shared by US officials. They applauded China for its recent commitment to preparing itself for membership of Gatt, from which it withdrew in 1950.

The hope now is that the way has been cleared for faster progress in resolving outstanding issues. "There is movement and a will on all sides to press ahead with serious work," said one official in Geneva.

But though all the main Gatt countries say they want to admit China, some question whether it will be possible this year, in time to meet Beijing's goal of becoming a founder member of the World Trade Organisation, which is due to succeed Gatt.

That would require broad agreement by late autumn on formal accession terms. However, officials closely involved in the talks stress that formidable obstacles have still to be overcome. "I think it is going to be very difficult for the Chinese to make it in time," said a European official.

There are also differences between Washington and Brussels over how far Gatt should go to accommodate China's difficulties in meeting its rules immediately.

The US wants Beijing to accept all Gatt obligations on entry, and to eliminate in particular about 400 specified non-tariff barriers. The European Union is taking a more flexible line, though it has reserved the right to impose selective safeguards on certain imports until China is fully integrated into the Gatt system.

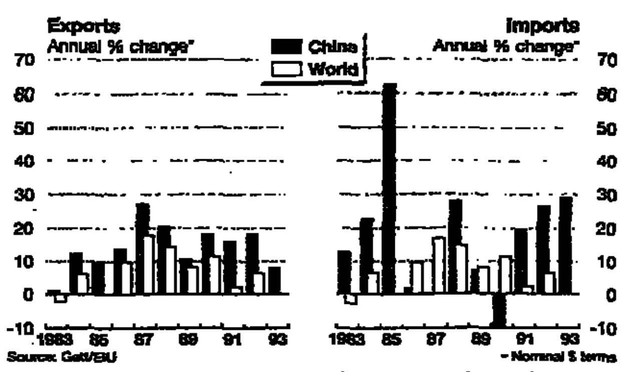
Mr Long said his government was seeking a "package deal" in the negotiations and indicated it would press for transitional arrangements which would allow it to conform with Gatt rules over time.

He acknowledged that a gap remained on the transition issue. "This is something we have to work on," he said. "Without agreement on transitional arrangements China may not get into Gatt for 5-10 years, and we assume this is not the wish of the US.

"The bulk of American and European demands are in line with China's economic reforms. There is no basic disagreement on China becoming a full-fledged market economy. The question is how quickly China should do it.

"China's economic reforms were a gradual process, and we can't for the sake of getting into Gatt disrupt that gradual process. I don't think this would be in the interests of western countries," he said.

China trade



Mr Long called "ridiculous" US arguments that if China were granted a transition period, it would have no incentive to assume its obligations after it entered Gatt. "China is not adopting its reforms simply for the sake of joining Gatt," he said.

In an effort to clarify the outstanding issues, Mr Pierre-Louis Girard, the Swiss economy minister who is chairing the Geneva meeting, has circulated a "non-paper" which aims to bring together the views of all the main participants, including the US, the EU and Japan.

In a covering letter, Mr Girard says the document – which is not intended as a draft protocol for China's eventual accession – is not prescriptive, but should be regarded as the basis for discussion.

However, some officials close to the talks described Mr Girard's approach as "maximalist" and said it appeared to set tougher conditions for China's accession than some Gatt members considered appropriate.

As well as the removal of non-tariff barriers, negotiators in Geneva say the most obstinate questions still to be resolved are:

- Lack of transparency in China's trade regulations and "hidden" quotas on various categories of imports.
- Dismantling of China's tariffs, for which a timetable must be negotiated and set out alongside the planned accession protocol.
- The uniform application of Gatt obligations, in a country where regulations and the speed of liberalisation vary widely between regions.
- Extension of national treatment to foreign companies and, in particular, access to China's market for foreign providers of services such as banking and insurance.
- Intellectual property rights, an issue on which China has been criticised because of widespread piracy of western entertainment software.
- A safeguards clause against sudden surges of Chinese exports, especially textiles.

Negotiators in Geneva were cautious yesterday about the prospects for breakthroughs on these issues this week, while Chinese officials have acknowledged that there will have to be tough bargaining against a tight timetable.

Beijing is preparing for another session in late July and will send a large team back to Geneva to negotiate through September, if necessary. "As long as the participants have the political will, we can finish the negotiations in time," said Mr Long.

Brown in Brazil to boost US business

By Nancy Dunne in São Paulo

Mr Ron Brown, the US commerce secretary, yesterday opened a $2m (£1.3m) American commerce centre in São Paulo, Brazil, and sought support for a $700m air traffic contract which is being contested by Thompson-Alcatel of France.

Raytheon of the US is vying for the contract, designed to protect the Amazon through a combination of anti-drug and air traffic control network systems together with environmental monitoring systems.

Mr Brown is on a high-profile trade mission accompanied by 22 executives from US companies, several of which are chasing lucrative contracts in the region.

Mr Brown spoke of the "vital and growing" importance to the US of trade with Latin America, which, if current trends continue, will one day overtake Europe as the US's main trading partners.

Foreign investors, notably US companies, have been eying Brazil's vast consumer markets and undeveloped infrastructure. "There are as many consumers in (the city of) São Paulo alone as in the whole of Argentina," said a representative of a US telecommunications company.

Mr Brown yesterday extolled the virtues of his department's emerging markets programme, under which the US is focusing on resources and attention on a variety of projects in Brazil, Mexico, China and several other countries.

Emphasising an often stated commitment to raise living standards in these countries, Mr Brown visited a a community sports centre sponsored by Xerox Corp in a Rio slum.

Mr Arthur Pilzer, the vice-president for business development, who is accompanying Mr Brown, earlier announced that the Export-Import Bank of the US (Eximbank) is ready to lend money to Brazilian state-owned companies.

"We view Brazil as a market we could do a lot of business in within a few years," said Mr Pilzer, who is accompanying Mr Brown on the trade mission to Brazil, Argentina and Chile.

The Eximbank has not lent Brazil or its state-owned companies money for at least eight years but has extended between $30m and $50m to Brazilian private companies, primarily banks, over the last two years, as the country has begun to normalise its international obligations.

"Loans to state-owned companies will be contingent on Brazil going back to the Paris Club and paying all of its rescheduled debt." Mr Pilzer said. Brazil still has not yet rescheduled $30m in loans, originally extended to Transbrasil, a privately owned airline.

New gas turbine 'most efficient'

Westinghouse Electric of the US has raised the temperature in the highly-competitive power station market by launching a new gas turbine claimed to be the world's largest and most efficient, writes Andrew Baxter in London.

The 230MW turbine creates a challenge for rivals in the power generating equipment industry. Customers are looking for larger gas turbines and can save millions of dollars of fuel costs through greater thermal efficiency. The US group's new turbine, the 501G, is designed to serve markets which require electricity at 60 hertz (cycles) – North America and parts of Asia. With a steam turbine added to create a combined-cycle system, the turbine is expected to provide a net efficiency of 58 per cent.

The Westinghouse turbine was developed in collaboration with its technology partners Mitsubishi Heavy Industries of Japan and FiatAvio of Italy. Westinghouse and Mitsubishi will both make the 501G, with the US company using its North American manufacturing network and MHI its Takasago works. Both expect to ship the first machines in 1996.

Belgians in Oman deal

Tractebel, the Belgium energy and industrial holding company, and a consortium of Omani companies have received a $213m contract to build and operate a 90-megawatt power station in Oman, AP-DJ reports from Oman.

Tractebel and the Omani companies will provide 60 per cent of the capital for the project, a gas-fired power station 190km south of Muscat, the Oman capital.

Oman intends to raise the remaining capital by floating shares in the company to Omani nationals and Gulf Co-operation Council partners, Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Oman and Qatar.

Argentine gas pipe contract

Tenneco Gas International and the US Overseas Private Investment Corporation have signed a protocol agreement providing for financing and political risk insurance by OPIC for a proposed 600km pipeline linking Argentine gas reserves to Chile, AP-DJ reports from New York.

Tenneco Gas has a 25 per cent interest in a consortium that has been selected to design, construct, own and operate a transmission line running from the Neuquen gas fields in Argentina to Santiago, Chile.

Senate works on latest draft that would cover 95% of population by 2000

Fresh US healthcare compromise

By George Graham
in Washington

The US Senate finance committee yesterday began work on a possible compromise bill on healthcare reform, as arguments swirled over what level of coverage would meet President Bill Clinton's demand for a universal health system.

Mr Clinton has already dismissed as inadequate proposals that would have covered only 91 per cent of the population, but the White House yesterday withheld its fire from a new draft prepared by Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, that would set a target of taking care of 95 per cent of the population by the year 2000.

Mr Moynihan was due to present his draft to the committee in a closed session yesterday afternoon, amid a mounting sense of alarm in Washington that time is running out for completing a bill before Congress breaks up.


Moynihan: due to present draft

Like proposals floated by some moderate Republicans and conservative Democrats, the Moynihan plan would eliminate one of the most important but also most controversial components of Mr Clinton's comprehensive reform: the requirement that employers provide health insurance to all of their workers and pay for 80 per cent of its cost.

This employer mandate is flatly rejected by almost all Republicans, making it virtually impossible to pass, at least in the Senate, where procedural rules allow a minority to block any action.

The alternative of obliging individuals to buy health insurance, just as they must buy car insurance, arouses little enthusiasm among Republicans; many can already imagine the slogans in this autumn's election campaign: "We wanted to make your employer provide you with health insurance, but the Republicans wanted you to pay instead."

Mr Moynihan's draft would avoid both employer and individual mandates, and instead rely on incentives to companies which do provide insurance to their workers. Low wage businesses that pay 80 per cent of their employees' health costs would receive cash subsidies from the government, while small companies paying at least 50 per cent of their employees' costs would be eligible to enrol in the Federal Employee Health Benefits Program, a flexible and generally well-regarded scheme which currently covers most government workers.

This programme offers federal employees a menu of different private sector health plans, with an "open season" once a year in which they can switch from one plan to another.

In order to finesse Mr Clinton's demand for universal coverage, Mr Moynihan would establish a National Health Care Commission if 95 per cent of the population does not have insurance by the year 2000. Congress would be required to act by a specified deadline on the commission's recommendations, which would take effect automatically if Congress did nothing.

Mr Moynihan's scheme is similar in many respects to a plan drafted by a group of centrist Republicans and Democrats on the finance committee, and it was welcomed by Senator John Chafee, one of the authors of that plan and one of the principal Republican spokesmen on healthcare.

White House officials yesterday welcomed the Moynihan proposals as a sign of progress, and pointedly refrained from criticising its goal of 95 per cent coverage.

"We didn't put a number on it. Universal is a plan that covers everybody," said Ms Dee Dee Myers, the White House press secretary.

White House irritates advocates for Africa

By George Graham
in Washington

Americans interested in sub-Saharan Africa are a small and beleaguered band, who generally welcome any attention from the administration with desperate gratitude.

Yet a two-day White House conference addressed by President Bill Clinton, Vice-President Al Gore and President Nelson Mandela of South Africa, not to mention secretary of state Warren Christopher and national security adviser Anthony Lake, has accomplished the remarkable feat of irritating even Africa's most devoted advocates.

Several experts who had been told they would be asked did not receive invitations, and most members of the congressional black caucus stayed away, partly in protest at the administration's policy towards Haiti, and partly because they felt they had been asked as an afterthought.

The conference, due to be addressed late yesterday by Mr Clinton, was billed by the White House as an attempt to refocus attention on issues such as sustainable development, responses to internal conflicts, support for democracy and human rights, and enhancing bilateral trade and investment ties.

But the idea of an occasional gathering of the great and the good has drawn criticism as being no substitute for continuous attention to the continent's problems. "It is the typical Clinton method: you get 150 of the brightest minds you can find into the same room, and come up with the lowest common denominator," sniffed one Washington diplomat.

And while Mr Mandela, in a videotaped message, called on the US to become "the leading partner in the most novel and challenging project since the Marshall Plan", Mr Lake warned the US's willingness to get involved was constrained by lack of budget resources and by the US public's doubts about overseas intervention.

Although Mr Lake acknowledged that genocide had taken place in Rwanda – a question on which the State Department has equivocated, to the outrage of human rights groups – he offered little prospect of future US action.

With the end of the cold war and South Africa's transition to democracy, as well as the unhappy experience of humanitarian intervention in Somalia, the US has been pulling back from Africa.

The Central Intelligence Agency, for example, plans to close 15 stations in Africa, which it says existed not to gather information about Africa but to monitor and recruit eastern bloc officials.

WORLD CUP

Jack's armies mass for battle

Ireland plan to add another chapter to their soccer legend, writes Peter Berlin

Jack Charlton, the irascible – and now censured – English manager of the Irish World Cup team, commands two armies in the US. The first comprises 22 fit, competitive young men and a carefully organised support team of physiotherapists, shirt washers, press officers and so on. His other army is a huge, good-humoured rabble.

Jack's two armies join forces again today, when Ireland play Norway at Giants Stadium, New Jersey, in the last of their first-round Group E matches. With Group E almost exactly evenly poised, it is make-or-break day for Ireland, as well as for Norway and for Italy and Mexico, who clash in the other Group E game, in Washington.

In New Jersey 10 days ago, Jack's players overpowered Italy while his fans outnumbered and outsang the Italian fans. In Orlando last Friday, Jack's men seemed stunned by the heat and humidity. The players were caught by the pace of Mexico and the supporters surprised by the number and voice of the Mexican fans.

Regardless of what happens to the team, the Irish fans will go home with a tall tale or two to tell. The supposedly unsophisticated Irish have already outplayed the aristocrats of Italy.

And a lot of the fans who say they don't care if Jack's team wins or loses know by heart all the possible permutations of quarter-final and semi-final matches in which Ireland might play. But first they have to win or draw today.

Anyway, the secret is out. After the opening win against Italy, it dawned on a lot of people that this Irish team was something more than the collection of over-achieving scuffers who had clawed their way to the quarter-finals in Italy four years ago.

Charlton has been able to add the mid-field power of Roy Keane and the defensive pace of Phil Babb to his team. Another youngster, Jason McAteer, has made two impressive appearances as substitute. If there are weaknesses, they are at centre-forward and goalkeeper: the two most important positions on any team.

Charlton only brought four attackers along and has only played one at a time, preferring to field a fifth good mid-fielder rather than a second mediocre striker. This allows him to stick to his strategy of defence in depth and attack on the break. But he has also brought in John Sheridan to orchestrate a more measured passing game.

Ireland's chief weapon used to be the long high ball aimed at the head of Niall Quinn or Tony Cascarino or John Aldridge. Cascarino and Aldridge remain, but now Ireland's spearhead is speed down the wings, particularly from full backs Terry Phelan and Denis Irwin.

Both are suspended for today's game. This gives Charlton a problem, but also an opportunity. He can give McAteer a start and also pick the most exciting youngster in his squad: Gary Kelly of Leeds. Kelly lacks experience, but where Irwin is fast and Phelan faster, Kelly is fastest.

A lot of Irish fans wish Charlton would pick another Kelly: Alan, the Sheffield United 'keeper. Many thought that Pat Bonner, having broken an Irish record for caps in warm-up games, would be relegated to the substitutes bench.

Bonner is dependable. He dominates in the air and neither makes basic errors nor indulges in the unnecessary flashiness with which Jorge Campos of Mexico dealt with even quite straight-forward Irish shots last Friday.

The problem is the perennial one when assessing goalkeepers. Mexico's Luis Garcia beat Bonner with two hard and accurate shots. Might another man have reacted quicker, dived faster, reached further, and perhaps saved a goal? It is impossible to tell. The nagging suspicion remains that Bonner will not reach shots that other goalkeepers in this tournament might save.

Nevertheless, the Irish hold a slight edge today. A draw means they would finish above Norway and at least third in the group.

The temperature has been in the 90°Fs in New Jersey in the last few days, but it is still cooler than in Orlando. The Norwegians are no more accustomed to heat than Ireland and must do the attacking. The setting is perfect for Ireland to add another chapter to their myth.

Charlton, meanwhile, has been adding to his. He began a running battle with Fifa during the weeks before the World Cup, complaining ceaselessly about the heat and the rules which effectively forbade giving players drinks during play.

During the first two games he would not sit obediently in his seat. He stood on the bench, strayed from the painted box around it, berated Fifa officials, linesmen and referees, coached players (which is against the rules) and found countless ways to give his players water.

After the Mexican match he again criticised Fifa for forcing his team to play at noon in Florida and refused to answer questions he did not like.

Now he has been suspended from the touchline for "misbehaviour." This need not be a handicap. It might even help.

Players like the way Charlton stands up for them, and the fans love him for trying to outwit Fifa's pompous officials.

But the fans will not allow Charlton and his team all the fun. They are part of the story, too. Already there are tales to match the myths of Irish bravado which came back from Italy four years ago.

On a flight from Florida last Friday, an Ireland fan told me a tale.

The night before the Ireland-Mexico game, he said, a group of fans in Orlando had found a bar which advertised that it was open all night. Better than a hotel, they thought, and went in. In the early hours the manager said that he was locking up and going home. The fans saw him to the door, locked it, and put a glass on the bar to collect money for the drinks.

The manager called the police. Hearing that European soccer hooligans had captured a bar, the police sent 16 squad cars. They encircled the building. When all the police were armed and in place, an officer was sent to knock on the door. It opened.

An Irish fan put his head out, surveyed the scene, and started singing Danny Boy. One by one the fans trooped out, glasses in hand, singing along. Nobody, said the man who told me the tale, was charged.

For Jack and his lads it has all, so far, been too good to be true.


Goalkeeper Pat Bonner hopes his dejection in the Mexico game will be forgotten as Ireland advance Picture: AP

Italy reshuffle for decisive Group E clash with Mexico

Injury-weakened Italy face a must-win test against Mexico today while Ireland battle Norway to unlock Group E, the World Cup's most closely contested first-round group (see story left).

"It will be a game of life or death," says veteran Mexican striker Hugo Sanchez, who describes the Italians as a powerful team with "a beautiful soccer history."

The Italians have reshuffled their team after injuries to defenders Paolo Maldini and team captain Franco Baresi. In addition, goalkeeper Gianluca Pagliuca was suspended for two games after being ejected from last Thursday's game against Norway.

Baresi may be out for the rest of the tournament after arthroscopic surgery to remove cartilage from his right knee-cap. Alessandro Costacurta will replace him as sweeper and Luigi Apolloni will play center-half.

Maldini, nursing a sprained right ankle, is doubtful for the game. If he doesn't start, Roberto Baggio will captain Italy. Baggio, considered Italy's most imaginative player and the key to the side's attack, was substituted in the game against Norway and failed to impress against Ireland.

Mexico's Luis Alberto Alves isn't worried that Mexico has never beaten Italy in World Cup play. "History is for museums," he said.

Unfancied Saudis still confident

Holland, a team full of stars, were mightily fancied. Saudi Arabia, contesting their first World Cup finals, were not.

Yet with two Group F matches remaining – Morocco vs Holland and Belgium vs the Saudis, both tomorrow – Saudi Arabia may have a fractionally better chance than Holland of making the second round.

Belgium leads the group with six points. Holland and the Saudis have three each, and the same goal difference. But the Saudis lead Holland on goals scored by three to two.

Saudi mid-fielder Fuad Amin predicts that his team will beat the Belgians. "We're going to win," said Amin, who scored the winner in Saturday's 2-1 victory over Morocco and the team's only goal in their 2-1 defeat by Holland.

"We represent Saudi soccer and the whole Arab world. God willing, the next game will be a great victory."

A draw against the Saudis would clinch first place in Group F for Belgium, but their coach, Paul Van Himst, said the team would be playing to win.

Romanian star out for second round

Romanian striker Florin Raducioiu, who scored two goals in his team's victory over Colombia, will miss the second round after picking up his second yellow card in the match against the US on Sunday.

Raducioiu was penalised for challenging US defender Marcelo Balboa. Romania beat the US to win Group A. Their second-round match next Sunday will be against the third-place team from Group C, D or E.

Bucharest is agog. Many celebrants in the Romanian capital said that the win against the US was a tonic for a country plagued by problems as it makes the transformation to a market economy.

"This is a joy for the Romanian people," said unemployed technician Barbu Comanicaru, 47. "I don't even care that I don't have a job."

Cameroon seek face-saving win

Cameroon and Russia, both stricken by player rebellions, need face-saving Group B wins today. Unfortunately, they are playing each other.

Cameroon – only one point so far in a group that also includes Brazil and Sweden – have a chance of qualifying for the second round if they beat Russia in San Francisco.

Russia – without a point – have only a theoretical chance of advancing but want a win to restore their battered dignity.

"It will be very hard against the Russians," said Cameroon coach Henri Michel. "But if we set our own troubles aside, I think we can win," he said, referring to a continuing squabble between Cameroon players and their soccerfederation over unpaid wages. Cameroon's goalkeeper, Joseph-Antoine Bell, the reported leader of the players' rebellion, has said he is quitting.

■ Standings

GROUP A	P	W	D	L	Pts
Romania	3	2	0	1	6
Switzerland	3	1	1	1	4
USA	3	1	1	1	4
Colombia	3	1	0	2	3
GROUP B	**P**	**W**	**D**	**L**	**Pts**
Brazil	2	2	0	0	6
Sweden	2	1	1	0	4
Cameroon	2	0	1	1	1
Russia	2	0	0	2	0
GROUP C	**P**	**W**	**D**	**L**	**Pts**
Germany	2	1	1	0	4
Spain	2	0	2	0	2
S.Korea	2	0	2	0	2
Bolivia	2	0	1	1	1
GROUP D	**P**	**W**	**D**	**L**	**Pts**
Argentina	2	2	0	0	6
Bulgaria	2	1	0	1	3
Nigeria	2	1	0	1	3
Greece	2	0	0	2	0
GROUP E	**P**	**W**	**D**	**L**	**Pts**
Mexico	2	1	0	1	3
Ireland	2	1	0	1	3
Italy	2	1	0	1	3
Norway	2	1	0	1	3
GROUP F	**P**	**W**	**D**	**L**	**Pts**
Belgium	2	2	0	0	6
Saudi Arabia	2	1	0	1	3
Holland	2	1	0	1	3
Morocco	2	0	0	2	0

Greek fans uncompromising

Greece has been stunned by its team's second consecutive World Cup loss, suffered when Bulgaria trounced the Greek side 4-0 in Group D.

"Greek national team shame on you," the Athens afternoon daily Ta Nea said in a banner headline, accompanied by a half-page picture showing fans at an Athens coffee shop making obscene gestures at a television set.

Other papers, television and radio were much more harsh in their criticism of the team and its coach, Alketas Panagoulias.

"The people are enraged," the daily Eleftheros Typos said.

■ Remaining first-round schedule

Date	Group	Venue	Time*	Match
Today	E	New Jersey	5.30pm	Ireland vs Norway
	E	Washington	6.30pm	Italy vs Mexico
	B	San Francisco	9.00pm	Russia vs Cameroon
	B	Detroit	9.00pm	Brazil vs Sweden
Tomorrow	F	Orlando	5.30pm	Morocco vs Holland
	F	Washington	5.30pm	Belgium vs S. Arabia
Thurs 30/6	D	Boston	12.30am	Greece vs Nigeria
	D	Dallas	12.30am	Argentina vs Bulgaria

*British Summer Time

The top two sides from each group, plus the next four best performers, contest the second stage, July 2-5. The quarter-finals will be played on the weekend of July 9-10, in Boston, Dallas, New Jersey and San Francisco; the semis on Wednesday, July 13 (New Jersey and Los Angeles); and the final on Sunday, July 17 (Los Angeles).

House may force agency to abandon $30bn project

Nasa space station at risk

By Jeremy Kahn in Washington

The House of Representatives could this week move to force the National Aeronautics and Space Administration to abandon its $30bn (£19.3bn) space station project.

The project last year survived by a single vote in the House. The Clinton administration is predicting a more comfortable margin this year, but congressional opponents claim they have the votes to kill the project outright.

The House appropriations sub-committee has proposed cuts of $240m in Nasa's budget for fiscal 1995, but has left the space station budget intact, at around $2.1bn. Nasa has requested a total budget of $14.3bn for 1995.

The sub-committee is instead proposing cuts of $127m to the space shuttle programme, Nasa's manned space flight project. The shuttle will fly eight missions next year instead of the scheduled nine, and has postponed or abandoned plans to upgrade some its hardware.

However, in the House vote, which could take place as early as today, opponents to the station are likely to introduce an amendment to kill the planned space station completely.

The amended bill would then go to the Senate, where within the next two weeks, the Senate sub-committee, in its parallel consideration, is likely to recommend cuts of up to $600m in Nasa's budget.

Mr Daniel Goldin, Nasa administrator, whose agency has taken a 30 per cent budget cut over the past two years, this month pleaded with senators not to slash the Nasa budget again.

But because the quirky Congressional appropriations process forces Nasa to compete for funds with the Department of Veterans' Affairs and the Department of Housing and Urban Development, both of which have large budgetary mandates, Nasa will probably have to bear a heavy burden.

Any reconciliation of the amendment to abandon the station from the House and the proposed cuts of $600m from the Senate would be likely to mean the end of the space station.

"I don't know how to logically cut and maintain the balance," Mr Goldin said, when pressed by the senators on how Nasa would deal with a worst-case scenario budget of $13.7bn. "If we have to go below [$14bn], we could lose either a space station or we could lose a major science mission."

Many on Capitol Hill think losing the space station is exactly what Nasa needs.

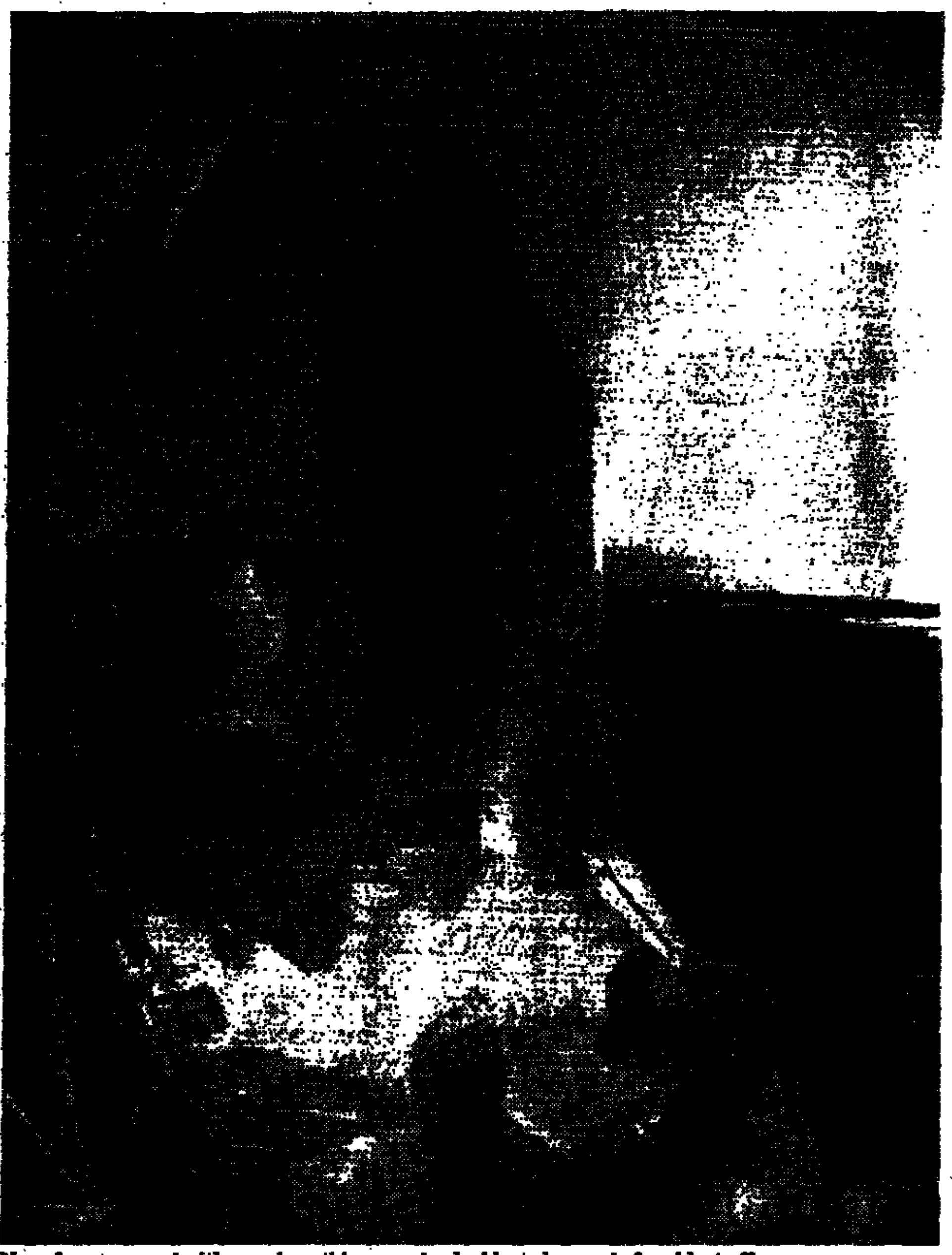
A report issued in March by the Congressional Budget Office – Congress's independent budget authority – concluded that Nasa would be unable to keep the space station within budget, and another one issued last year by the General Accounting Office, the government audit agency, reported that Nasa had underestimated costs on 25 of its 29 large projects.

There is also an "anti-big science" atmosphere in Congress, where many believe the applications from projects such as the space station are too far removed from everyday reality.

"This space station will cost far more than its sticker price and will continue to displace more cost-effective space research," said Representative Dick Zimmer, a New Jersey Republican who will lead the charge against the station along with Representative Timothy Roemer, an Indiana Democrat. "It's a case of too much money for not enough science."

The station will study the effect of gravity on humans, to enable further space exploration, and will undertake a number of micro-biological and medical experiments, with the aim of producing new vacc ines.

The station has so far cost around $10bn and legislators report Nasa's public relations machine is in high gear as the agency attempts to save the space station from being blasted away before it ever gets a chance to blast off.



Nasa fears space shuttles such as this may also be blasted away before blast-off Reuter

Offer to quit boosts Carpizo's standing

Mexican minister is back, stronger than ever, writes Damian Fraser. But who was he criticising?

MEXICAN ELECTIONS

Mr Jorge Carpizo, Mexico's interior minister, could hardly have predicted the outcome. But in deciding to resign from his post on Friday, and then changing his mind under pressure on Sunday, he appears to have bolstered his position in the government.

He came back to the job after most of the political parties and scores of non-partisan groups pleaded with him to stay. President Carlos Salinas spent two days in talks with him in a finally successful effort to make him withdraw his resignation.

The wide show of support has given Mr Carpizo, respected for his independence and integrity, more authority than other members of the government. Hardline factions in both the governing and the opposition parties may find it more difficult to challenge him, or the Electoral Institute that he presides over, in coming months.

Still, the alarm that greeted Mr Carpizo's initial resignation has underlined the fragile political situation in Mexico, and the temperamental nature of the man who will play the key role in overseeing the elections. That so much seemed to depend on Mr Carpizo and his willingness to stay reflects how much further the government has to go in building credibility for the electoral institutions.

The attempted resignation has further called attention to the division in the ruling party between the reformists and hardliners, which may yet surface again before or after the election.

While Mr Carpizo was ambiguous in giving reasons for his resignation, there seems little doubt that frustration with elements of the governing Institutional Revolutionary party (PRI) played a part.

Mr Carpizo was appointed interior minister in January, 10 days after the Zapatista revolt in the state of Chiapas, replacing the hardline Mr Jose Patrocinio Gonzalez Garrido. A former rector of the National University, head of the National Human Rights Commission and attorney-general, he revealed earlier this year that he is not even a member of the ruling party.

Within weeks of his appointment Mr Carpizo helped persuade all the main political parties to accept far-reaching democratic reforms, ending the ruling party's control of the electoral apparatus and placing stricter limits on campaign spending. The agreement raised hopes that the election would be relatively free of fraud and that the result would be endorsed by the opposition parties.

Foreign investment in Mexico reached $6.45bn in the first five months of the year, an increase of 42.7 per cent over the same period a year earlier, according to the Trade Ministry, Reuter reports from Mexico City.

The figure took total investment during the administration of President Carlos Salinas de Gortari, who took office in December 1988, to $48.19bn – or twice the target for the six-year term of $24bn – the ministry said in its monthly report.

But when resigning on Friday, Mr Carpizo denounced those who were obstructing his efforts to implement these democratic reforms.

The uproar that followed his resignation reflected fears that the progress made since January would unravel, and Mexico would face a turbulent and violent presidential election like the one experienced in 1988, when the opposition took to the streets after reports of widespread fraud.

In his resignation letter Mr Carpizo said he had found "numerous people of the most diverse sectors" of Mexican politics "who were only fighting for their interests or of their group without considering what is good for Mexico". He said: "I have urged society and the government that we all work together exclusively for the truth; the only response has been more lies, more calumnies and more hypocrisy."

The minister reserved his most bitter comments for one political party which he did not name. "In my job I promised to be impartial in my relation all the political parties" he said.

"I am beginning not to be respected by one of the parties, given that I am not and cannot be in agreement with multiple acts of some of the sectors of this party."

The government has insisted that Mr Carpizo was referring to the leftist opposition Party of Democratic Revolution, which has criticised democratic reforms as insufficient, and with which Mr Carpizo has been fighting. The PRD has demanded another audit of electoral rolls, and a reduced role for Mr Carpizo in the elections.

But leftist politicians and many analysts believe Mr Carpizo was alluding to the governing PRI, arguing that Mr Carpizo would not resign because of a difference with the opposition, since he has no obligation to be in agreement with it.

Mr Carpizo's struggle with certain sectors of the PRI is no secret. The interior minister has reportedly threatened to resign three times this year because of opposition within the PRI to implementation of democratic reforms. Since the assassination of Mr Luis Donaldo Colosio, former presidential candidate of the PRI, the influence of the hardline faction in the PRI has risen, possibly exacerbating tensions with Mr Carpizo.

The conservative faction appear to enjoy the backing of Mr Ernesto Zedillo, the PRI's new presidential candidate. Mr Zedillo has allied himself with many of the party's old-style politicians such as Mr Carlos Hank Gonzalez, the powerful agriculture minister, in an effort to shore up his support in the party.

Recently, Mr Carpizo has become more isolated in the government. Last month Mr Diego Valadés, the reform-minded attorney-general close to Mr Carpizo, was replaced by a little-known politician with ties to Mr Hank Gonzalez. Ten days ago Mr Manuel Camacho, the conciliatory peace commissioner in Chiapas, resigned, citing differences with Mr Zedillo.

Now, however, Mr Carpizo is in the driving seat. It remains to be seen what he can do with his power.

California insurers meet over quakes

By Richard Waters in New York

Governor Pete Wilson of California was yesterday due to meet representatives from some of the country's biggest insurers to discuss the gathering crisis over earthquake insurance in the state.

The meeting was prompted in part by a decision two weeks ago by Farmers, the Los Angeles-based insurer owned by the UK's BAT, to stop writing new homeowners' insurance policies in the state.

Under Californian insurance rules, earthquake cover has to be made available on all homeowners' policies. Farmers, which puts its losses from the January earthquake at more than $1bn (£658m), said it wanted to reduce its exposure to such catastrophes.

Twentieth Century, another of the state's biggest insurers, has also stopped offering cover since the January earthquake, which is estimated to have cost the insurance industry $6.6bn. Its move was part of a plan agreed with Mr John Garamendi, the state's insurance commissioner, to return it to financial health.

The meeting with insurers follows a move by Mr Garamendi last week to extend the so-called Fair Plan – an insurance scheme adopted after brush fires in Southern California rendered many homes uninsurable - to homes exposed to earthquake risk.

Under the Fair Plan arrangement, uninsured risks would be pooled, and spread between the insurers according to their market share in the state.

Venezuela may help insurers

By Joseph Mann in Caracas

The Venezuelan government may have to intervene to help local insurance companies hit by the country's banking crisis, according to Mr Konrad Firgau, the Venezuelan superintendent of insurance.

Mr Firgau said yesterday that some of the frozen deposits held in seven commercial banks, closed by the government on June 14, held the technical reserves of insurance companies. As a result he said, at least two insurance companies could face state intervention.

Insurance companies are obliged by law to maintain 40 per cent of their premiums as "technical reserves".

The banks closed down by the government were Amazonas, Bancor, Barinas, Construccion, La Guaira, Maracaibo and Metropolitano, all of which were controlled by private investors.

Some of them were the central organisations in financial groups which included insurance companies. The government also shut down an industrial finance company, Fiveca.

Arrest of bank executives renews Ecuador drugs fears

By Raymond Colitt in Quito

Ecuador has been the one Andean country to enjoy relative immunity from the attention of drugs traffickers. But the arrest last week of top executives of the Banco de los Andes on money laundering charges has renewed concern that the country is becoming a centre for drug traffickers seeking to legitimise profits.

Police assert that the bank's general manager, retired rear admiral Guillermo Dueñas, as well as other executives, were involved in laundering money from the infamous Ecuadorean drug traffickers, Reyes Magos. Four executives have been arrested and arrest warrants have been issued for 11 others.

Funds were allegedly laundered in the Banco de los Andes – a medium-sized retail bank – and its offshore operations in the Caribbean, as well as in the military-owned Banco Rumiñahui.

The allegations are the second stage of a case first uncovered in December 1992, which has already led to the dismissal of the general manager of Banco Rumiñahui and the subsequent capture of gang leader Jorge Hugo Reyes.

As a former military official, Dueñas is likely to face trial before the country's supreme court. In their defence, bank officials said the allegations covered no cash, but only cheques and money transfers from renowned international banks including Swiss Bank Corporation, Dresdner Bank New York, Deutsche Bank, Citibank International, Bayerische Vereinsbank, and Brown Brothers Harriman.

Despite continuing uncertainty about the extent of the scandal, investors and traders in the financial markets have remained calm. The superintendent of banks, Ricardo Muñoz, assured the 170,000 customers of the Banco de los Andes that the bank's liquidity was not affected by the arrests.

Accounts in Ecuador, the US and Europe allegedly containing drugs funds, and the personal assets of the accused bank officials have been frozen for some time. A recent agreement between the US and Ecuador allows confiscated assets to be redistributed between the two countries.

Yet the latest scandal raises questions about controls within Ecuador's financial system. Situated between Latin America's largest drug-producing and exporting countries, Peru and Colombia respectively, international observers fear Ecuador could turn into a money-laundering haven for drug dealers.

Government officials insist that the existing legal framework is sufficient to control money-laundering. Mr José Iturralde Arteaga, an official at the Superintendency of Banks, says: "The problem is not that we don't have adequate laws and regulations, rather it is a lack of enforcement that permits money-laundering in the country."

He adds that the recently approved financial sector law grants the police authority to search suspect financial institutions and confiscate confidential documents. Yet critics say drug money enters the country unchecked through any number of illegal channels. Offshore banking operations, artisan gold trade, and falsified export/import invoicing are some of the most common ways to launder money, besides cash purchases.

Mr Alberto Acosta, an economic analyst, estimates the amount of money laundered in Ecuador to be around $400m annually. "Only the flow of narco-dollars can explain the great consumption of luxury goods in a country in recession," he says.

Brazil expected to limit issue of new currency

By Angus Foster in São Paulo

Brazil's central bank is likely to be limited to issuing $9bn (£5.9bn) of the country's new currency, the real, between its launch on Friday and April next year.

The limit is one of the key mechanisms the government hopes will prevent inflation creeping into the new currency.

In the past, governments have relied on printing increasing amounts of currency to pay debts, leading to inflationary spirals.

The government is still finalising the details of the currency launch, which it will announce later this week. However, it has already said the real will be linked at parity to the US dollar for an "indeterminate" time.

It is also expected that the $9bn limit, as well as interim three-monthly targets, will be set in law and monitored by a strengthened National Monetary Council, a body of senior Ministry of Finance and central bank officials.

The present monetary base is very low at about $3.5bn, reflecting the effects of inflation of nearly 50 per cent a month on the local currency, which has seen the value of notes and coins decline steadily in dollar terms.

However, if inflation falls when the new currency is introduced, as is widely expected, the dollar value of the notes and coins in circulation is likely to be far greater than at present.

"The limits are difficult because they can't be too tight nor too lax, otherwise you run into credibility problems," according to Mr Pedro Malan, central bank president.

To allow for short-term problems, the law is likely to let the bank relax issue limits for one-month periods. However, any breach of the limits would have to be corrected later.

The law creating the new currency is also likely to contain a reference to gradually increasing the autonomy of the central bank, a move it has been seeking for some months.

However, it is unclear how substantial these reforms will be, especially since the often populist President Itamar Franco is suspicious of the bank and its policy of keeping interest rates high.

See Feature: A real test of commitment

Constitutional conference opens

Abacha vows to end Nigerian military rule

By Paul Adams in Abuja

General Sani Abacha, Nigeria's head of state, opened the country's constitutional conference yesterday with a pledge to end military rule once his regime had found the structure for lasting democracy. He refused, however, to set a date for quitting office until after the four-month conference.

Doubts remain whether the 360 delegates at the conference have the power to shape Nigeria's political future. Gen Abacha described his government's role in the conference as "facilitators".

Mr Adolphus Kabiri-Whyte, the chairman of the delegates, took a more optimistic view of their powers at the opening session when he thanked Gen Abacha for giving them a free hand.

The outcome of the conference will be summarised in November in a report by a government-appointed commission which will be the basis of next year's political programme.

Previous constitutional conferences in Nigeria have been the springboard for political parties and careers.

The list of delegates of whom 90, including the conference chairman, are nominated by the government, contains many prominent figures from previous regimes. They include Mr Shehu Yar'Adua, a leading candidate for the presidency two years ago, former vice-president Mr Alex Ekwueme, and former leader of the rebel Biafran state, Mr Emeka Ojukwu.

The most surprising comeback is by Mr Umaru Dikko, who returned from exile in Britain on Sunday. Mr Dikko is a former minister of transport, whom a past military regime tried to abduct from Britain for trial.

Although he would not give a timetable, Gen Abacha was specific about ending military rule.

"We are aware that it is neither in our personal interest nor that of the nation to perpetuate ourselves in power. Nothing could be further from our plans."

It should be clear even to his detractors, said Gen Abacha, that "once political parties begin to emerge from the first quarter of 1995, the next logical process would be activities leading to elections into the various tiers of governance which the constitutional conference will recommend".

Gen Abacha's speech seemed to rule out significant changes to the federal structure of Nigeria and made no reference to renewed protests over the annulment of the presidential election which was won by Mr Moshood Abiola last June.

Mr Abiola has been in detention at an unknown location since last week following his demands that the military make way for him to become president.

Taiwan pledges to ease curbs on foreign banks

By Laura Tyson in Taipei

Taiwan has promised to relax controls on foreign banks' operations on the island in a bid to join the future World Trade Organisation and become a regional financial centre, but bankers cautioned it was unlikely that changes would precipitate an influx of foreign banks.

A Finance Ministry official yesterday said that regulations would be revised to eliminate the limit on the number of foreign banks allowed to set up branches. At present, a maximum of three banks may open a first branch each year.

Restrictions on the number of branches foreign banks may establish in each city will also be lifted, said Mr Sean Chen, deputy director of the Finance Ministry's monetary affairs bureau.

Taipei-based foreign bankers greeted the announcement with guarded optimism, describing the moves as an effort to make Taiwan more "user-friendly".

They cautioned, however, that the authorities had been sending out conflicting signals in recent weeks, promising to relax some regulations while simultaneously hinting at tightening others. For instance, it is widely believed that the minimum capital requirement for foreign banks to set up a branch will soon be tripled to $9m (£5.9m).

The head of a US bank dismissed the planned relaxation measures as "form over substance". "They're twitching little buttons here and there, but this isn't going to make setting up a branch in Taiwan one-tenth as easy as it is in Hong Kong," he said.

In any case, many bankers view the local market as over-banked. Sixteen new privately-owned banks opened in 1992 and, as a result, competition for business has become ferocious. "There are a lot of crazy bankers in this town," said the head of a North American bank's Taipei branch.

Few foreign banks are expected to seek multiple branches across the island, as none apart from Citibank seriously targets the consumer market.

At present 37 foreign bank have branches and 22 have representative offices in Taiwan.

Early end to financial rand unlikely

S Africa's finance minister talks to Tony Hawkins and Mark Suzman

In the clearest signal of exchange control policy since the inception of South Africa's government of national unity, the country's finance minister has said that the financial rand, the country's investment currency, is not likely to be abolished "for some time".

There has been widespread speculation that the financial rand might be discontinued later this year. This would be a significant step towards the abolition of exchange controls; their existence is cited by potential foreign investors as one of their main concerns.

In an interview with the Financial Times, Mr Derek Keys, reappointed as finance minister last month by President Nelson Mandela, acknowledged the pressure for change: "I don't want to defend the existing situation. I think it's awful."

Keys: "I don't want to defend the existing [foreign exchange] situation. I think it's awful." Ashley Ashwood

But, at the same time, he set out three preconditions which seem to rule out the move during 1994. Interviewed shortly after last week's budget, Mr Keys said it would need a clear international and domestic vote of confidence in the new government of national unity, an understanding with the trade unions on the need for wage restraint and higher foreign exchange reserves, which at present amount to around about six weeks' import cover.

Mr Keys was confident about South Africa's economic prospects, forecasting 3 per cent growth in gross domestic product this year and inflation at no more than 7.5 per cent.

Responding to questions about the financial rand, however, Mr Keys was remarkably frank. "If you had told me when I took the job of minister of finance that two and a quarter years later I would be sitting with exactly the same policy on foreign exchange that I inherited, I would have been disgusted. I have not just not made progress. I have actually regressed."

An ideal scenario would be that the reserves build up at the same rate as the speculation increases about the end of the Finrand, leading to a point at which both of them have developed sufficient momentum that one can do something for which the markets have really prepared themselves. But if it doesn't happen and we have speculation increasing while the reserves don't go up, then this could possibly create a minor crisis.

"But even that could be better than what we've got. We've had this system now for a very long time. People are absolutely fed up with it."

One of the most critical factors was confidence in South Africa, said Mr Keys: "But we don't have an outstanding vote of confidence at present. Not just as far as the outside world is concerned – but as far as South Africans themselves are concerned, building up their assets in this country and feeling secure about it. Then in my opinion, the [level of] reserves wouldn't be critical, because you take the chance that the act of doing away with it was itself a confidence-creating act, and you get great benefit from that. But I just haven't received that message yet."

Mr Keys ruled out negotiating an International Monetary Fund loan in advance of abolishing the financial rand, and which could be held ready to boost reserves if necessary. "No IMF loan is going to save you if you get confidence reading wrong," said the minister.

Some understanding on wage restraint would also be necessary, he said. "I think a compact as such is not on the cards, but I think a tacit never-expressed understanding is possible."

Mr Keys accepted that several other African countries had been able to liberalise exchange controls. South Africa's circumstances, he argued, were very different.

For about 50 years, said the minister, South African residents had been unable to diversify their assets. "You have wealthy residents here in command of large pools of savings. You have institutions whose entire management cadre has longed for this opportunity to diversify worldwide.

"So for reasons totally other than those of panic or usual capital flight, you have a large pool of capital that longs to enter the world.

"Now that's fine. All sorts of good results would flow from that, including that we would then have plenty of shares available for the investors who wanted to come in, because they complain because they can't get decent amounts of SA shares."

But there was a "bridging problem," said the minister: "A lot will go before a lot come in. And my advisers tell me that in that first phase interest rates here could go to 30 per cent. I wouldn't like to see this government facing the consequences of interest rates going to 30 per cent. I have a duty to prevent that."

Mr Keys continued: "This is a government of national unity, operating on a basis of consensus. We've marked out enough consensus areas. To try and include taking a fundamentally new approach to the foreign exchange situation is not impossible, but its going to take some time."

ILO move on part-timers and mine safety

By David Goodhart, Labour Editor

The 75th anniversary congress of the International Labour Organisation in Geneva ended at the weekend having passed two new labour conventions – on part-time work and health and safety in mines – and established a working party on the contentious issue of a world social clause.

The working party, set up by Mr Michel Hansenne, the ILO general secretary, will report by November and hand its finding to the World Trade Organisation, the successor to the General Agreement on Tariffs and Trade, which is due to discuss the link between trade and social standards next year. The working party will also produce a report on the subject for next year's United Nations social summit in Copenhagen.

Against the wishes of representatives of ILO employers and some governments, including Britain, the organisation passed a convention calling for equal rights for part-time workers.

The convention also calls for pro rata equal pay for part-timers. "Measures appropriate to national law and practice shall be taken to ensure that part-time workers do not, solely because they work part-time, receive a basic wage which, calculated proportionately on an hourly, performance-related, or piece-rate basis, is lower than the basic wage of comparable full-time workers", it states.

The congress took one small de-regulatory step by revising the convention on private employment agencies.

The convention on health and safety in mines calls on employers to ensure that all mines are designed and equipped to secure safety.

Where workers are exposed to physical, chemical or biological hazards, they should be fully informed of the hazards and the employer must provide suitable protective clothing.

Every employer is also called upon to prepare an emergency response plan, specific to each mine, "for reasonably foreseeable industrial and natural disasters".

End to Hong Kong talks delayed

By Simon Holberton in Hong Kong

British and Chinese diplomats negotiating the future of military land in Hong Kong have for the second time postponed conclusion of their talks in an attempt to reach an agreement.

Mr Guo Fengmin, China's chief representative to the Joint Liaison Group (JLG), a bilateral group which deals with Hong Kong's reversion to China in 1997, said the 29th plenary of the JLG would reconvene on Thursday.

Tomorrow Hong Kong's Legislative Council votes on Governor Chris Patten's democracy legislation. Miss Emily Lau, an activist for greater democracy in Hong Kong, said China had delayed making a decision in order to intimidate legislators ahead of tomorrow's vote – expected to be close run.

Last Thursday the JLG meeting was suspended until yesterday in the hope of an agreement being produced. Both teams worked until early yesterday morning on the terms of a deal which is expected to result in the Hong Kong government building the Chinese navy a new base, and refitting an unknown number of existing British military bases for use by the People's Liberation Army.

Mr Hugh Davies, his British counterpart, said: "There were still some issues in the defence lands portfolio which need to be sorted out." It is understood that the two sides reached agreement yesterday and that it is being referred to Beijing for ratification.

A sticking point was a Chinese demand that the UK government guarantee completion of the naval base and refitting of military sites. It is understood a form of words which satisfies the Chinese but which does not commit the UK Treasury to pay for the work has been agreed.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
2nd qtr.1993	11.9	1.0	3.18	5.98	2.80
3rd qtr.1993	12.2	1.4	3.18	5.61	2.76
4th qtr.1993	10.5	1.3	3.34	5.59	2.73
1st qtr.1994	9.8	2.2	3.52	6.06	2.75
June 1993	12.6	1.5	3.25	5.94	2.80
July	12.7	1.5	3.20	5.79	2.80
August	12.2	1.3	3.18	5.68	2.76
September	11.7	1.3	3.16	5.35	2.73
October	10.9	1.1	3.26	5.32	2.71
November	10.4	1.3	3.40	5.70	2.74
December	10.1	1.5	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.1	3.49	5.97	2.74
March	9.8	2.5	3.84	6.47	2.80
April	9.0	2.6	4.05	6.94	2.91
May	7.1	1.9	4.54	7.17	2.91

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.62	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.6	8.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	−0.4	4.28	5.25	1.00
1993	3.0	1.4	2.83	4.18	0.87
2nd qtr.1993	3.2	1.4	3.09	4.55	0.83
3rd qtr.1993	3.3	1.9	2.83	4.25	0.80
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
1st qtr.1994	4.7	1.9	2.05	3.68	0.82
June 1993	3.4	1.4	3.10	4.58	0.82
July	3.8	1.6	3.11	4.40	0.81
August	3.5	1.7	2.93	4.27	0.79
September	2.6	1.9	2.46	4.09	0.79
October	3.7	1.8	2.30	3.85	0.80
November	3.3	1.5	2.22	3.64	0.84
December	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.6	1.96	3.34	0.85
February	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.1	1.7	2.06	3.90	0.78

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	4.1	5.45	6.94	n.a.
1986	9.9	−2.1	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	9.4	7.9	7.28	6.44	2.11
2nd qtr.1993	9.5	8.6	7.66	6.73	2.24
3rd qtr.1993	9.9	8.1	6.82	6.34	2.01
4th qtr.1993	8.6	7.5	6.34	5.83	1.79
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
June 1993	10.1	8.5	7.60	6.77	2.22
July	10.1	8.7	7.24	6.57	2.09
August	10.1	8.3	6.62	6.34	1.98
September	9.5	7.3	6.63	6.12	1.96
October	9.2	6.4	6.64	5.93	1.86
November	8.4	7.3	6.31	5.86	1.82
December	8.1	8.8	6.11	5.71	1.69
January 1994	11.8	11.4	5.90	5.63	1.71
February	11.0	11.9	5.91	5.87	1.77
March	10.5	11.4	5.84	6.27	1.76
April	11.6	10.8	5.61	6.43	1.68
May	11.2	10.8	5.20	6.63	1.67

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.
1986	6.9	6.6	7.79	8.74	2.65
1987	4.1	9.9	8.26	9.46	2.75
1988	3.9	8.5	7.94	9.06	3.69
1989	7.5	9.5	9.39	8.79	2.88
1990	3.7	9.2	10.32	9.92	3.19
1991	−4.9	2.7	9.62	9.03	3.58
1992	−0.2	5.5	10.36	8.57	3.55
1993	1.7	−1.8	8.55	6.75	3.21
2nd qtr.1993	0.2	3.1	8.01	7.06	3.33
3rd qtr.1993	−0.7	0.6	7.74	6.38	3.14
4th qtr.1993	1.7	−1.6	6.74	5.92	3.01
1st qtr.1994	3.7	−4.1	6.29	5.89	2.85
June 1993	0.2	3.1	7.32	6.95	3.35
July	−0.9	1.2	8.06	6.72	3.28
August	−1.3	0.6	7.93	6.33	3.06
September	−0.7	0.6	7.29	6.12	3.08
October	0.5	−0.2	6.99	5.95	3.02
November	−1.5	−1.0	6.74	6.02	3.07
December	1.7	−1.6	6.52	5.79	2.94
January 1994	2.1	−3.1	6.31	5.66	2.82
February	2.7	−4.0	6.30	5.93	2.81
March	3.7	−4.1	6.25	6.37	2.90
April	6.4	−3.4	6.01	6.65	2.89
May			5.65	6.94	2.88

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.48
1990	9.3	9.1	11.98	11.87	2.84
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.3	7.0	10.22	11.23	2.35
2nd qtr.1993	2.4	6.1	10.82	12.49	2.47
3rd qtr.1993	4.9	7.8	9.36	10.27	1.89
4th qtr.1993	7.1	7.9	8.89	9.10	2.02
1st qtr.1994	7.8	7.6	8.42	8.99	1.80
June 1993	2.8	6.1	10.22	11.87	2.15
July	3.5	6.6	9.54	11.12	1.99
August	5.2	8.0	9.35	10.08	1.83
September	6.1	8.7	9.18	9.66	1.85
October	5.4	7.3	8.87	9.04	1.94
November	8.4	8.6	9.08	9.34	2.15
December	7.4	7.8	8.72	8.94	1.97
January 1994	5.9	6.6	8.44	8.69	1.88
February	7.7	7.6	8.37	8.78	1.74
March	10.0	8.8	8.43	9.46	1.77
April	10.6	8.5	8.11	9.07	1.58
May			7.80	9.38	1.49

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.2	12.32	11.03	n.a.
1986	4.0	15.3	11.02	9.97	4.35
1987	4.7	14.6	9.77	9.52	3.60
1988	6.8	17.0	10.41	9.69	4.48
1989	5.9	17.5	13.96	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	6.0	11.58	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.9	3.6	5.99	7.40	4.01
2nd qtr.1993	4.2	3.3	6.00	7.92	4.04
3rd qtr.1993	5.4	3.5	5.96	7.13	3.91
4th qtr.1993	5.5	4.3	5.61	6.61	3.75
1st qtr.1994	5.4	5.4	5.31	6.72	3.57
June 1993	4.9	3.2	5.95	7.88	4.01
July	5.0	3.4	6.01	7.49	4.03
August	5.6	3.6	5.91	7.00	3.83
September	5.5	3.5	5.96	6.91	3.88
October	5.4	3.7	5.83	6.81	3.81
November	5.1	4.5	5.96	6.77	3.84
December	5.9	4.8	5.40	6.28	3.61
January 1994	5.2	5.1	5.44	6.22	3.46
February	5.5	5.4	5.27	6.61	3.49
March	5.6	5.7	5.23	7.29	3.74
April	5.9	5.5	5.29	7.66	3.87
May	6.9	5.3	5.22	8.13	3.96

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Thai court acquits speculator

By William Barnes in Bangkok

Thailand's Securities and Exchange Commission, the two-year-old stock market watchdog, received a setback yesterday when a local court acquitted an influential speculator and 11 associates of ramping the share price of the Bangkok Bank of Commerce in 1992.

The court ruled that the commission, in its first ever prosecution, had insufficient evidence to show that Mr Song Watcharasrirong – known as Sia (tycoon) Song – and the other 11 acted in concert when they made an estimated Bt2bn (£52m) profit out of the spectacular rise in the price of the troubled bank's shares.

Mr Rapee Sucharitakul, SEC spokesman, said the commission would appeal against the verdict "all the way to the Supreme Court".

The SEC showed that most of the 12 investors worked from the same room, the same telephone numbers, transferred large sums of money between themselves and bought blocks of shares in the Bangkok Bank of Commerce at or near the same time. On November 24, 1992 – six days after the SEC had filed criminal charges against Mr Song and his 11 associates – the Bank of Thailand said that the 12 people named in the charges had a combined investment portfolio worth Bt16bn.

The Thai judiciary – which survived a vigorously attempted revamp during the caretaker premiership of Mr Anand Panyarachun two years ago - has rarely found against well-connected members of the establishment.

Nevertheless, observers give the commission credit for getting such as case as far as it did; one of the 11 was the daughter of a former leader of the Democrat party which leads the ruling coalition government.

Mr Mark Greenwood, managing director of brokers Asia Equity, said: "It shows they are willing to drag suspects into court. "Anyone engaged in questionable trading has to consider that. OK, maybe you'll get off but maybe you won't."

Mr Song is also named in all four of the SEC's outstanding cases against speculators who allegedly cheated the public by manipulating share prices in 1992 and early 1992.

The public prosecutor is preparing prosecutions in connection with the sharp movements in the shares of property company Krisda Mahanakorn and the Siam City Bank; the remaining two cases – involving the First City Investment and Rattana Real Estate – are still in the hands of the police.

Although the Thai stock market fell heavily yesterday because of concerns over the falling dollar, Mr Sriyan Pietersz, Smith New Court's country representative, said: "Many retail investors will give a sigh of relief because it means that they are probably a little bit beyond the reach of the SEC."

Tokyo set to pursue policy on defending $

Mieno: signs of upturn

By Gerard Baker in Tokyo

It could prove to be an expensive week for the Bank of Japan. In its attempts to shore up the dollar, it has thrown an estimated $3bn worth of yen at the currency markets.

So far the efforts have been in vain and the financial markets increasingly expect a change of strategy to co-ordinated interest rate measures by the Group of Seven leading industrial countries, including a cut in Japanese interest rates. But Japan's monetary authorities are anxious to avoid a cut in borrowing costs and, for the time being at least, seem prepared to continue spending yen in the dollar's defence.

The crisis came out of a clear sky last week just as the central bank, which implements policy under the watchful tutelage of the Ministry of Finance, was congratulating itself on steering the economy out of recession.

Since the last cut in the official discount rate in September – to 1.75 per cent, its lowest ever – the bank's governor, Mr Yasushi Mieno, has been under pressure for a further cut as the economy continued to stagnate. But the bank resisted the pressure, arguing that policy was sufficiently accommodating to engineer a recovery.

In the last month, Mr Mieno's policy appeared to be vindicated by distinct signs of an upturn. Gross domestic product figures for the first quarter suggested the economy was at last recovering. A sustained rise in the Nikkei average pushed up asset prices and there were signs of a slight rise in consumption. Market sentiment moved firmly into line with the bank's – there would be no cut in interest rates.

But last week unwelcome foreign intervention blew the policy off course. The currency crisis puts three main pressures on Mr Mieno for a relaxation of policy:

- The high yen is hurting the real economy by making exports uncompetitive. Few economists believe the incipient recovery could survive a yen/dollar rate above Y100 for long, and companies are clamouring for relief.
- The bank's heavy selling of the yen has pumped liquidity into Japan's money markets, forcing down overnight call rates to around 2 per cent – just a quarter point above the official discount rate. In the past that gap has been nearer half a point, and the narrower spread makes an official rate cut more likely.
- If intervention fails, Japan will be expected to participate in co-ordinated G7 monetary measures – a rise in US rates and cuts in Japanese and German borrowing costs.

The bank's reluctance to cut interest rates is based on more than just the usual central banker's fear of inflation. The lessons of monetary history suggest that an interest rate cut too far, brought on by short-term pressures, can be costly.

And though inflation is virtually non-existent, the bank is acutely aware of the dangers of taking its eye off the ball: "The BoJ is anxious not to repeat the US experience," says Mr Dick Beason, senior economist at James Capel Pacific, "where a loose monetary policy for too long was partly responsible for the current global financial turbulence."

So, for now at least, heavy central bank selling of the yen seems set to continue. The bank is outwardly confident that the crisis will pass, believing that the economic fundamentals, particularly a trade deficit that has begun to shrink, will push the yen back well beyond the Y100 level to the dollar.

But if the markets' desire to dump dollars becomes compulsive, there will be a limit to the profligacy and the unpalatable choice between a strong yen and an interest rate cut will become unavoidable.

Opposition parties flounder in bid to form government

By William Dawkins in Tokyo

Japan's two main opposition groups were floundering in their attempt to agree on a new government yesterday, so raising the possibility that the coalition of Mr Tsutomu Hata could return to power.

The implications of the intervening political chaos on Japan's efforts to curb its massive trade surplus contributed to a fresh surge of the yen to a record post-war trading high of Y99.5 against the dollar in Tokyo. It eased slightly, after heavy Bank of Japan intervention, to close at Y99.93. Share prices plunged, leaving the Nikkei index down 465.79 points, or 2.24 per cent, at 20,300.96.

"If the yen's steep rise is not checked, not only export-related firms but the whole of our country's industry will be forced to a standstill," warned Mr Takeshi Nagano, president of the Nikkeiren employers' federation.

Mr Hata has kept a low profile ever since he announced on Saturday that would resign rather than risk losing a no-confidence vote proposed by the Liberal Democratic party, with Social Democratic party support.

Political observers believe he plans to let opposition parties' attempts to form a pact reach impasse before reopening negotiations with potential partners for a new government. "He is being quite clever," said Mr Takashi Inoguchi, professor of politics at Tokyo University.

Talks yesterday between Mr Tomiichi Murayama, chairman of the left-wing SDP, and Mr Yohei Kono, president of the conservative LDP, were inconclusive. A day earlier, the SDP and LDP said they were considering an alliance, but in the event they merely agreed on the need to form a new government by the end of today, without specifying how.

Separately, the SDP and New Harbinger party, a former LDP splinter group, agreed on joint policy guidelines, calling for maintenance of Japan's pacifist constitution.

A coalition of the SDP, NHP and LDP is possible, but less likely than the SDP's return to Mr Hata's coalition, said political analysts. A three-way alliance would be even less stable than the Mr Hata's two-month minority administration, since the LDP and SDP, long-time enemies, are far apart on most important policies.

The pressure on the SDP to rejoin Mr Hata's camp increased yesterday when its most influential backer, the Rengo trade union federation, called for the establishment of a government modelled on the recent coalition of former prime minister Mr Morihiro Hosokawa, in which the SDP was the largest party.

Normally, the SDP takes Rengo's advice, but the party may hesitate this time because it is split. A faction loyal to the SDP's Mr Murayama is inclined to join hands with the LDP, and call a snap general election – anathema to Japan's business community, which fears an election campaign could hamper economic recovery.

Mr Wataru Kubo, SDP secretary general, prefers siding with the coalition and supports its plan for an election late this year under a new electoral system, which could pave the way for more stable government.

NZ bank warns on inflation

By Terry Hall in Wellington

The New Zealand Reserve Bank faces an important test of its anti-inflationary powers as it seeks to manage the economy through a period of robust growth and higher inflation over the next 12 months, Mr Don Brash, the governor, said yesterday.

Releasing the bank's monetary policy agenda for the next six months, he hinted that the bank would be comfortable with some additional, modest, firming in monetary policy.

New Zealand financial markets treat the central bank's monetary policy statements in the same light as the budget, because of its role in setting foreign exchange and interest rate policy.

Mr Brash said that over the coming year the country faced growth, wage and other cost pressures of a sort the bank had not encountered since the Reserve Bank Act was passed in 1989.

While he did not see inflation taking off, pressures would push the rate from the current 1 per cent to between 1.7 and 1.8 per cent by late next year. This would be just below the 2 per cent maximum target allowed by the Reserve Bank Act.

"Inflation at these levels would provide little room for error, and with the economy continuing to grow strongly, New Zealand is more likely to encounter greater, not less, inflation pressures," he said.

He said the bank was comfortable with the latest rises in domestic rates, which have increased by about 1 per cent since February.

Bid to outface market pressures

Keating spurns interest rate rise

By Nikki Tait in Sydney

Mr Paul Keating, Australia's prime minister, yesterday insisted the federal government would not be pushed into lifting official interest rates, despite the continuing drop in bond prices.

Mr Keating's comments helped to send the nation's currency, already unnerved by the tumbling US dollar, to a six-week low, but failed to prevent bond yields reaching their highest levels for over two years. The general mayhem spilled over into the share market, where the All-Ordinaries Index fell by about 3 per cent, to 1,957.4.

"The government won't be responding to pressures in the bond markets which are induced from other markets," the prime minister told parliament, shortly before leaving for a three-day visit to Indonesia. "The key point is official rates have not risen and they have not risen because the government believes that inflation has been checked."

In recent days, Mr Keating and Mr Ralph Willis, the treasurer, have become increasingly strident in their efforts to delay a rise in official interest rates. The government argues inflationary pressures are negligible in Australia, where unemployment remains high, and that business confidence and investment needs to be encouraged. This viewpoint was given some weight yesterday with publication of the latest quarterly survey from the Australian Institute of Company Directors and KPMG Peat Marwick.

The survey, conducted shortly after the government's A$6.5bn (£3.1bn) jobs package and budget plans were announced last month, suggested that optimism about the Australian economy has ebbed in recent months. About 63 per cent of company directors, drawn from a wide range of businesses in both private and public sectors, expected the economy to improve over the next six months, for example, compared with 71 per cent in the March quarter.

However, the government's repeated assertions it will not be rushed into raising interest rates have not stopped financial markets betting a rise is inevitable. A number of banks have already edged up home loan rates and, by yesterday evening, 10-year bond yields had risen to 9.97 per cent, from 9.60 per cent at Friday's close.

Figures show improving picture in ecology and safety but recession cuts environmental expenditure to under £1bn

Chemicals industry displays improved record

By Paul Abrahams

The UK's chemicals industry yesterday attempted to improve the sector's environmental reputation by publishing figures demonstrating its improving ecological and safety record.

The Chemical Industry Association released data showing that discharges by its members of red list substances - materials that are particularly toxic in water - had fallen every year for the last four years.

The survey, of 340 chemical manufacturing sites representing 76 per cent of sites owned by CIA members, showed that red list substance discharges fell from 360 tonnes in 1990 to 167 tonnes last year. The number of sites reporting no such discharges increased from 189 to 207.

The CIA figures are part of the industry's Responsible Care campaign, aimed at improving environmental performance and then communicating that to the public. A recent survey by Cefic, the European Chemical Industry Council, showed that the UK population mistrusted the chemical industry more than in any other country.

Mr John Holloway, chairman and managing director of Exxon Chemical and chairman of the Chemical Industry Safety, Health & Environment Council, said: "There is no doubt that opinion about the chemical industry in this country is poor. We are not liked. But we are working hard to deal with that."

Recent CIA research suggested only 29 per cent of population has positive feelings towards the chemicals industry. Mr John Cox, CIA director general, said he would not be satisfied until that figure had risen to 50 per cent, a level achieved at the beginning of the 1980s.

The CIA figures published yesterday were not all moving in the right direction. Environmental expenditure fell last year as the industry struggled with the recession. It dropped from £1.013bn in 1992 to £956m.

Capital spending on the environment declined from £293m to £268m. This reflected a drop in overall capital spending which has fallen two years running from £2.19bn in 1991 to £2.09bn in 1992, and £1.915bn last year. The CIA pointed out that environmental capital spending had been maintained as a proportion of overall capital investment.

Environmental operating costs also fell, down from £720m to £688m, reflecting a decline in manufacturing volumes.

Mr Richard Robson, group environment communications manager at ICI said no clear pattern could be observed in the amount of special waste disposed off-site.

This increased from 299,000 tonnes in 1992 to 358,000 tonnes in 1993. This followed a fall from 316,000 tonnes in 1991. Special wastes are substances that need to be disposed of with particular care. However, Mr Robson said the figures could not be compared because of an increase in the number of sites reporting data.

Finance plans for nuclear plant outlined

By Michael Smith and Roland Rudd

Nuclear Electric, the state-owned electricity generation company, has outlined a plan for financing a new power station at Sizewell, on the English east coast, which would require an initial government subsidy of up to £1bn.

The company says the subsidy would enable it to offer rates of return which would attract private-sector investors to fund the remainder of the £3.5bn cost (in 1993 prices) of building the station.

The £1bn up-front payment is just one of a series of options for building the 2,600MW station, the company has stressed in a series of briefings with politicians on the government's nuclear review.

Other ways for the state to encourage the construction of Sizewell C with largely private-sector finance could include continuing the nuclear levy on electricity consumers after its planned expiry in 1998. According to the company the amount needed would be less than a fifth of the more than £1bn a year curently collected.

Nuclear Electric's opponents will argue the company's estimates are further evidence of nuclear power's inability to compete in the market.

The Treasury is firmly opposed to providing the company with more state funds. It is continuing to press strongly for the company's early privatisation even though Mr Tim Eggar, energy minister, has said a sell-off before the next election is highly unlikely.

Treasury ministers believe the government could sell both Nuclear Electric and Scottish Nuclear without new legislation, by using privatisation measures approved by parliament in the late 1980s.

Nuclear Electric sees privatisation as its priority in the review. It says that in presenting options for funding Sizewell C and other stations it is responding to the government's request for suggestions on building new plant.

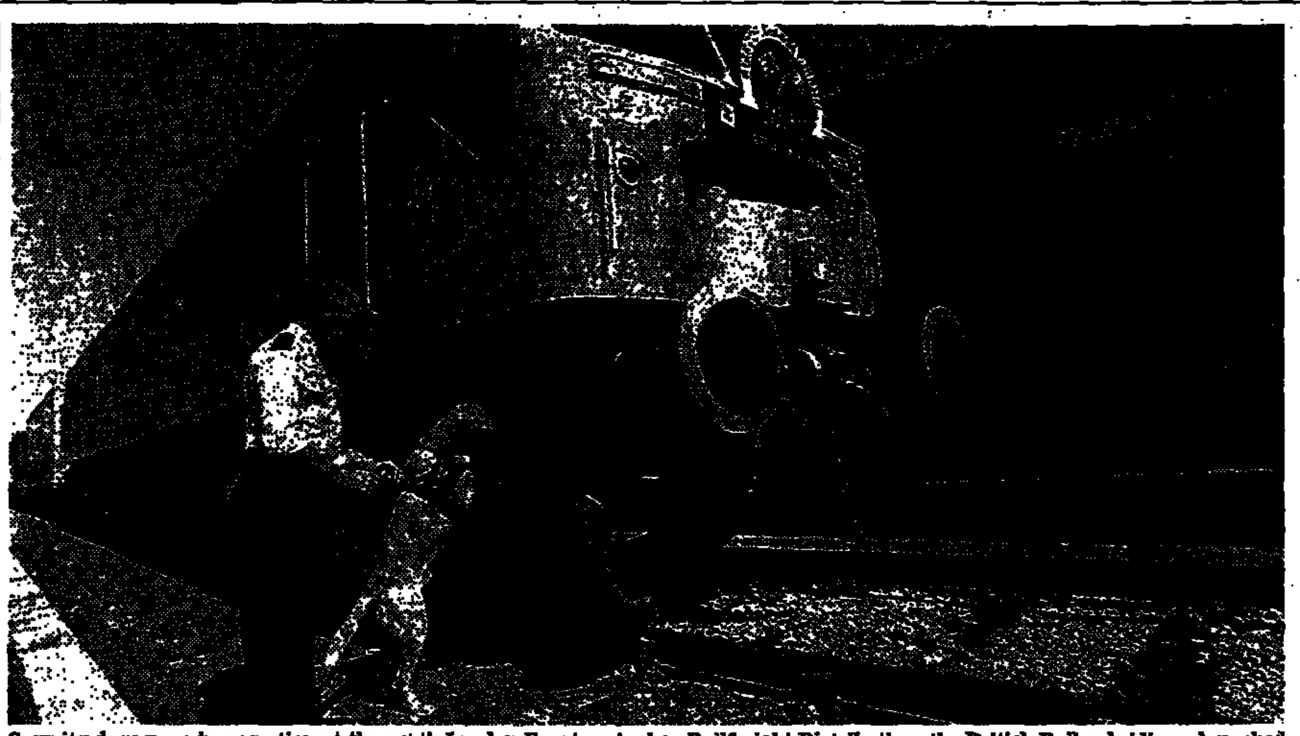
"We are not asking for government money to build Sizewell C," said Mr Mike Kirwan, finance director. "We are merely explaining the possibilities for building it."

Nuclear Electric said that if the government were to subsidise Sizewell C with an initial £1bn, it is possible that no more money would be needed from the state if market prices per unit of electricity were 2.7p or above when the station started to produce electricity.

Anything below that might need an extra injection of funding either from electricity consumers or the taxpayer.

Prices in the wholesale market are likely to average 2.4p this year and the plant would not produce electricity until after 2000.

But many electricity market analysts think that the prices may not rise much in the next decade or so because of the abundance of gas supplies.



Security dogs were in operation at the north London Euroterminal as Railfreight Distribution, the British Rail subsidiary, launched its services through the Channel tunnel. Six Railfreight trains will use the tunnel each way rising to 27 by the end of next year.

Support on rail claim

By Kevin Brown, Political Correspondent

Mr Frank Dobson, opposition transport spokesman, yesterday moved Labour close to outright public support for the series of one-day rail strikes being mounted by the RMT transport union.

As millions of rail travellers prepared for a third day of disruption on Wednesday, Mr Dobson told the RMT annual conference that the signallers at the heart of the dispute "think they have been swindled. They are right."

He was careful not to express explicit support for the strikes, which have brought most of the rail network to a standstill on two consecutive Wednesdays. His comments point to a stronger line by Labour which has sought to avoid being identified with the strikes.

Defence cuts may be more than expected

By James Blitz and David Owen

Britain's Ministry of Defence will next month announce cuts in military expenditure that are well in excess of those required by the Treasury in the current financial year, according to defence sources.

In recent weeks, MoD officials analysing ways to contain defence spending have discovered that there is more room for cuts in military support services than had been imagined.

The MoD is required to shave around £750m off their budget for the financial year 1994-95, to meet the targets set out in the last budget.

However, officials drawing together around 30 separate reports for the Defence Cost Studies project have discovered there is more room for cutbacks than had been expected. The exact size of the surplus has not been revealed, but according to one official it is "not insubstantial."

In the run up to the publication of the Defence Cost Studies, MoD officials are arguing with the Treasury over whether the extra expenditure that has been saved will be retained by the department.

Mr Malcolm Rifkind, the Defence Secretary, will want to announce several several "sweeteners" when the cuts in support services are announced, probably on Thursday, July 14.

Backbench conservative MPs have publicly voiced their anxiety about the projected cuts in military support services – such as hospitals and non-military transport.

But Treasury officials believe that this year's cutbacks will have to be followed by reductions over the subsequent two years, and that the MoD is best advised to make good those reductions now.

Companies back new partnership networks

By Gillian Tett, Economics Staff

Growing numbers of UK companies are developing friendly "partnership" relations with their purchasers and suppliers, a new survey has found.

Twenty per cent more businesses than a year ago are using "partnership sourcing" – a practice in which purchasers and suppliers develop long term, collaborative relationships based on more than price.

Nearly three quarters of purchasers and 61 per cent of suppliers use the practice, according to the survey, which was carried out by the Partnership Sourcing group, a body established by the Confederation of British Industry and the Department of Trade and Industry. This compares with 56 per cent of purchasers and 36 per cent of suppliers who used the system a year ago.

In spite of this growth in numbers companies had found that adopting partnership sourcing was more time consuming and difficult than anticipated. 41 per cent of companies questioned said that "co-operation with the other party" was a key difficulty.

The survey, which questioned 300 companies across several sectors, found that 85 per cent of companies said that partnership sourcing had enabled them to cut costs. Sixty seven per cent said they had been able to improve delivery times, and 81 per cent said they could improve service.

Portillo rejects Euro 'slow lane'

By Philip Stephens, Political Editor

Mr Michael Portillo last night underlined his claim to the leadership of the Tory right with an abrupt dismissal of fears that Britain might be left in Europe's "slow lane" and a call for tighter curbs on the welfare state.

In the latest of a series of speeches this year setting out his basic political philosophy, the chief secretary of the Treasury accused advocates of greater European integration of "bamboozling" the electorate.

He also warned of the dangers to individual freedom and to economic efficiency of the growth in the powers of European governments. Underlining his commitment to market forces, he said the role of governments was to create the conditions in which individual initiative was free to create prosperity.

To emphasise that point, he added: "It has recently been argued that the free market is a jungle to be tamed by governments. It is at least as plausible to argue that governments are a jungle to be tamed by the free market".

Mr Portillo told an audience in Barcelona during an official visit to Spain that arguments that Britain could not afford to miss the European "bus" or must remain in the "fast lane", had reached the height of absurdity.

They suggested that "speed is more important than direction, that being in a crowd is more important than heading for the right place". But: "What if the bus is the wrong one? What if the fast lane leads to the wrong destination?"

Setting out his own agenda for the European Union, Mr Portillo said that the creation of the single market should be the prelude to ever-increasing global free trade. There would be no point in seeking the benefits of free trade in Europe if the Union then saddled itself with higher prices and outmoded industries by putting up barriers to other countries.

He added that as Europe mapped out its future it was vital that supporters of limited government and of free trade made their their voices heard. They must ensure also that the regulations necessary to ensure a level playing field within the single market were kept to the minimum.

Mr Portillo, whose speeches have sometimes angered Mr John Major, was careful to frame his remarks as entirely in tune with those of the prime minister. He twice quoted Mr Major's recent comments to reinforce that impression.

Rank-and-file MPs back Major

'A victory is a victory' for the majority of Tories

By Roland Rudd

For a party used to seeing its leader isolated and under fire from his own back benches, yesterday's statement by the prime minister was unusual.

Mr John Major's speech on the Corfu summit won warm applause from Tory MPs on both wings of the party. For once the prime minister gave his troops something to cheer about. Britain's veto of Mr Jean-Luc Dehaene as European Commission president appeared to unite the party.

Never mind that pro-European backbenchers were privately warning that the battle over the EC presidency may be only the first of many to come or that Britain may find itself bereft of friends when it mosts need them.

As far as the majority of Tory MPs were concerned "a victory is a victory"; nothing was going to spoil their relief and delight at having something to appland.

Mr Kenneth Baker, a Euro-sceptic and former party chairman, summed up by telling the prime minister: "The decision you took was not only right, but courageous and popular - popular not just in the Conservative party, but in the country as a whole and in many electorates across Europe."

The prime minister's reception was probably better than it might have been but for the disappointing reply by Ms Margaret Beckett, acting leader of the Labour Party. In a speech which failed to inspire her own supporters she accused Mr Major of being "humiliated" by being in a minority of one. The accusation only lead to greater cheers from the Tory backbenches.

Perhaps the most significant indication of Mr Major's success in the Commons came from an intervention by Mr Ian Taylor, a member of the Positive European group. To the surprise of some of his colleagues he said Britain was justified in using the veto.

Privately members of the group said they were "appalled" by Mr Major's decision to veto Mr Dehaene. Mr Robert Hicks, a member of the group, said on Sunday that he regretted the decision. But not one of their group decided to speak out against the use of Britain's veto in yesterday's Commons debate.

It was left to Sir Edward Heath, the former prime minister, to air their views when he said the big task facing the government was to concentrate on "how to resolve this crisis – for crisis it is". The prime minister said he shared Sir Edward's regret that it was necessary to use the veto. He argued that it was a point of principal.

Mr Major took obvious delight from the fact that the only cheers that greeted Sir Edward's intervention were from the opposition benches.

Even some Tory MPs who said they had no strong views about Mr Dehaene believed the government was right to block his appointment. As they saw it France and Germany was trying to "railroad" their candidate through the Community which Britain could not allow.

The only question being asked by Tories MPs yesterday was not whether Mr Major's leadership had been strengthened, but by how long the new mood would last.

Many Euro-sceptics warned that his position could quickly weaken if he allowed another federalist to be appointed at the special European summit called for July 15 to resolve the issue.

Sir George Gardiner, chairman of the right-wing 92 group, said: "The prime minister is in a much stronger position now. But it would be terrible if he reneged on it."

Dealers complain of merchant in sheep's clothing

Stewart Dalby finds an overseas buyer has plans to clip 10% of the total fleece sale in Scotland. Others may follow suit

Mr Aidan Walsh, an agricultural merchant from Naas, County Kildare, Ireland, is causing waves in the British wool market for the second successive year.

Last year he bought 100,000 kilos of clip wool – fleeces – directly from farmers. This year he intends to buy 1m kilos, which is about 10 per cent of the total sale in Scotland, where he buys most of his wool.

His actions seem certain to increase pressure for the abolition or reform of the marketing arrangements for wool, the last of the commodity markets in the UK to be regulated under laws which were introduced soon after the second world war to protect food supplies.

UK-based dealers are still obliged to buy from the British Wool Marketing Board, and are forbidden to buy direct from farmers.

But the rules allow overseas buyers to work outside the regulated framework.

Buyers from outside the UK had always been exempt from the marketing board's monopoly. There used to be no point in entering the market, however, because the board controlled prices.

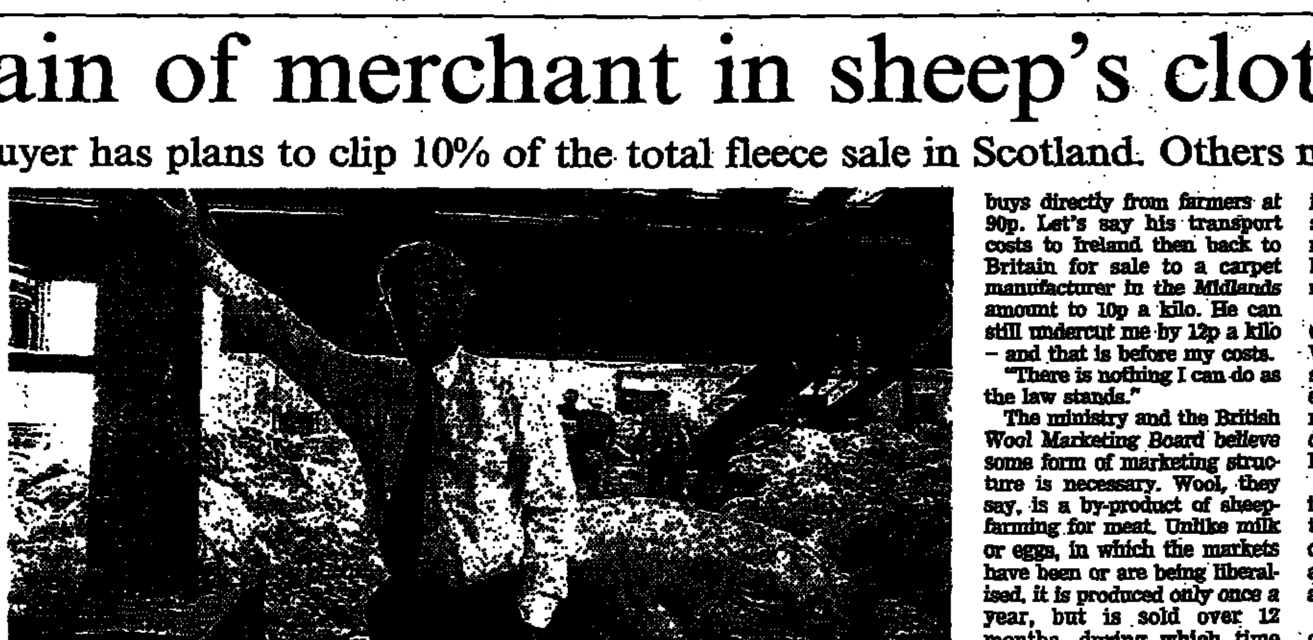
But in May last year the Ministry of Agriculture abolished the system of guaranteed prices for farmers.

The board nevertheless charges 18p a kilo for sorting, grading, and selling – and a further 3.5p to collect fleeces from farms. The board's costs have come down sharply since the ending of the guarantee, but they are still substantial.

Moreover, the marketing board pays over two years. The farmer, if he drives his fleece to market, is offered a notional 94p a kilo by the board. He pockets 47p immediately, but the second half of the payment depends on next year's price.

If the prices rise during the year he may get more than 47p for the second instalment. If prices fall he may get less.

Mr Walsh is offering up to 90p a kilo immediately with no risk to the farmer of getting less if the price falls while waiting a year for half the payment.



Aidan Walsh in his wool warehouse at Naas, County Kildare, near Dublin, Ireland.

Earlier this year the board was offering cheviot, a top grade, for sale at 112p a kilo – this was the 94p plus its own 18p handling charge.

Last year Mr John King, of wool merchants J. & W. Greig of Alexandria, Dumbartonshire, also tried to buy directly from farmers.

In July the board won an interdict (injunction) in the Court of Session in Edinburgh preventing him buying directly. He is trying to get the interdict relaxed, so that his company can act for a Portuguese agent.

He said: "We are sitting here handcuffed and frustrated. You work it out. I buy from the board at 112p a kilo. Mr Walsh buys directly from farmers at 90p. Let's say his transport costs to Ireland then back to Britain for sale to a carpet manufacturer in the Midlands amount to 10p a kilo. He can still undercut me by 12p a kilo – and that is before my costs.

"There is nothing I can do as the law stands."

The ministry and the British Wool Marketing Board believe some form of marketing structure is necessary. Wool, they say, is a by-product of sheep-farming for meat. Unlike milk or eggs, in which the markets have been or are being liberalised, it is produced only once a year, but is sold over 12 months, during which time prices can move substantially.

More than half the 93,000 sheep farms in Britain are small and many are in remote areas. The average wool clip is 500 kilos. Small farmers do not have the facilities to grade and sort small clips of mixed wool. Often, they cannot afford to transport it.

Mr Ian Hartley, the managing director of the board, has said that if it did not exist many farmers would not bother to bring the wool to market.

But in going for 10 per cent of the Scottish market Mr Walsh has clearly raised the stakes. They would be raised even further if other foreign merchants started buying directly in the south of England.

Ms Liz Ambler of the marketing board said: "Obviously there is no room for complacency. But most of the farmers and dealers are happy with the arrangements.

"We have been trying to educate small farmers about costs. They can go up over the year and it is not always wise to sell the entire fleece on day one. It is by no means certain that Mr Walsh will be able to buy as much wool as he wants or to sell it."

The Ministry of Agriculture said there were no plans to change marketing arrangements.

Britain in brief

New German purchase in City property

One of the City of London's best known office blocks, home to Deutsche Bank and Baring Brothers, has been sold for £106m in one of the bigest commercial property purchases by a German investment institution.

The sale has been concluded as the London Business School has forecast a sharp rise in the value of commercial buildings over the next two years – reversing a large part of the decline in property values between 1990-93.

The 145,000 sq ft building at 6-8 Bishopsgate has been sold by Electricity Supply Nominees, the electricity industry pension fund to Deutsche Immobilien Fonds (DIFA) one of the largest German investment funds.

It marks the latest in a series of property purchases by German institutions. Other acquisitions by DIFA have included 12-15 Finsbury Circus let to the Bank of Tokyo and St Andrew's House let to accountants Coopers & Lybrand.

DTZ Debenham Thorpe, which advised DIFA, said that the desire of German institutions to acquire UK property had not been diminished by rising bond yields which had affected the appetite of some UK institutions.

Further rises in UK property values following last year's gains expected according to the London Business School which expects capital values to increase by 18 per cent this year and by a further 7 per cent in 1995.

Turnips all the rage

Taxis, tourism and turnips have been among the beneficiaries of changes in consumer spending since the mid-1980s, while tea and spirits have lost out.

Figures released by the Central Statistical Office show that UK consumers spent £465.87bn in 1993, or around £7,000 per head.

Guardians of the nation's health might rejoice at the news that spending on vegetables rose by a third between 1986 and 1993. The bad news is that Britons still spend more on confectionery than they do on their greens.

John and Jane Bull are increasingly tending to wash down their carrots and chocolate with a bottle of Sancerre or Sauvignon than with Scotch. Spending on wine increased by a fifth between 1986 and 1993, while that on spirits fell by almost a tenth.

Over the same period, soft drink spending rose by over a quarter but spending on tea and coffee fell by more than 10 per cent.

Britons are venturing farther afield; spending on overseas tourism increased by 40 per cent between 1986 and 1993, while the money spent by foreign tourists in Britain rose by over 10 per cent. For domestic travel spending on taxis rose by over a third.

Bricks signal recovery

Brick shortages have begun to emerge in Britain for the first time in six years as the housing market continues its faltering recovery.

Butterley, one of the country's biggest manufacturers of housing bricks, was yesterday quoting 20 weeks delivery delay to builders telephoning its Kirton works in Nottinghamshire.

The industry still has large stockpiles of higher specification bricks, used in construction of offices, shops and public buildings such as hospitals and schools.

Unit trusts hold up well

Investors continued to put money into unit trusts during May, despite uncertain market conditions. Figures from the Association of Unit Trusts and Investment Funds (Autif) show a net inflow of £726m, most of which (87 per cent) came from private investors.

The figure is down from last May's inflow of £915m, but still well above 1990-92 levels. 1993 was a record year for the unit trust industry, with net investment of £9.1bn.

Mr Philip Warland, director general of Autif, said the figures pointed to a healthy change in saving habits.

TECHNOLOGY

Epoch-making changes are afoot in the pre-press stage of printing, explains **Andrew Fisher**

Death of a craft

Few aspects of modern life are so crucial and yet so taken for granted as words on the printed page. Since the early days of printing, the technology used to transfer ideas and images to paper has been fundamental to advances in civilisation.

From the development of wood-block printing by the Chinese and various forms of wooden and metal type by the Koreans and Japanese, to the movable type pioneered in Europe by Johannes Gutenberg and William Caxton, the printed word has stimulated culture, education and entertainment.

Today, in the multimedia age based on the enormous growth in computing power, the printing industry is undergoing an upheaval comparable with any of these epoch-making changes. Now that sound, text and pictures (from film or photo-CD) can be handled digitally, printing companies are having to make radical changes in the way they work.

Not only is the equipment changing rapidly, but the demands of customers have also become tougher.

"I think another very dramatic structural change is about to occur," says Erwin Königs, head of Linotype-Hell, the German maker of equipment for the pre-press (text and picture preparation) stages of printing.

With the price of printing continuing to fall – he says it has been cut by half in the past two or so years – and the tremendous pressure for work to be done faster, "the printing industry really has to rationalise".

Königs foresees the full computerisation of pre-press activity from the creation of designs to the scanning of images, the manipulation of text and pictures before they are put on film, and the making of pages ready for printing.

Those at the industry's sharp end are feeling both the benefits and the pressures of this surge of electronic innovation. "We're at the beginning of a new dawn of on-demand colour printing," believes Joe Brim, head of LaserBureau, a London printing company packed with the latest electronic equipment. "There's no mystique anymore."

Traditionally, much of the skilled work involved in turning designs into printed pages has been handed to specialists. This was, and still is to some extent, especially true in the case of colour pictures and graphics.

Today, however, advanced software enables sophisticated artwork to be carried out from desktop computers such as the Apple Macintosh.

For really high-grade products such as glossy advertising brochures, a wide range of outside skills is still needed. But increasingly, superior quality products can be produced from a range of electronic equipment – used to scan, process, store and display images – integrated by special software such as the PostScript system of California-based Adobe and available to those printing companies willing to invest.

Trevor Humphries

Joe Brim: 'We're at the beginning of a new dawn of on-demand colour printing'

This is what Brim means by "a new dawn". With the advent of new printing technology, products do not always have to be printed in large quantities to be economically worthwhile. Also, because the information is in digital form, each short print-run can be changed if necessary, or customised for individual readers such as those being targeted by marketing companies.

"The world is going to short-run, on-demand colour printing," says Brim. Customers can now order a few hundred copies of any item they want printed instead of having to take a thousand or more, as previously.

"These days," says Tony Jarvis, head of Jarvis Field Press, "things happen so fast that it's frightening – with digital cameras, even more will change." This is because the images from these cameras, gradually coming on to the market, will be able to go straight into the computerised network without having to be scanned.

Jarvis, also in London, has not gone so far down the digital road as LaserBureau. The company waited until last year, when prices had eased, before buying its electronic scanning and image-setting equipment. When finished, its investment will total around £500,000.

For the makers of equipment – especially that used in the pre-press stages where Linotype, Agfa and Scitex of Israel are prominent – the digital age has brought huge changes and opportunities. "The software is now driving the hardware," says Alexander van Meeuwen, business group director for graphic systems at the UK office of Agfa, owned by Germany's Bayer. "The speed of change in the graphic arts industry is phenomenal."

As well as providing huge opportunities for printing companies, it also poses a considerable threat. As the latest computer-based equipment allows them to do more, or all, of the pre-press and printing work on their own systems – many customers now send in jobs by disk or along ISDN (integrated services digital network) lines – fewer companies will be needed.

"It has been a craft-based industry," says Michael Austin, graphic systems marketing director for Agfa in the UK. "Everyone was specialised in a very narrow field, so there are lots of very small businesses." Thus he foresees a concentration in the highly fragmented printing sector, with only those companies able to invest in new equipment likely to survive.

But while he expects pre-press stages to disappear eventually as computers control more of the stages up to the making of metal plates for final printing, "I believe we have a long way to go before heavy-duty printing presses are replaced".

Königs reckons the pre-press industry will go in five to 10 years. "The prerequisite is technology that offloads those pretty complicated steps of the human brain to the computer." The brainpower has come from the specialists; the technology is now advancing to a level where their colour preparation and layout skills will increasingly become redundant.

He quotes the example of a printer on the US west coast who has two groups of operators making up colour pages: those using traditional reprographic skills earn \$25 a hour, but a new employee doing everything by computer earns \$16.

Such "de-skilling" is painful for those whose skills are being replaced electronically but is an inevitable and already visible trend in a fiercely competitive industry.

Smile, you're being digitalised

The prospects for cameras that need neither film nor developing are assessed by **Victoria Griffith**

Imagine it is 2005 and you have just returned from a holiday in Hawaii. You have taken all your photos with no film; no developing is necessary. You simply hook up the camera to your computer and begin looking at the pictures on your screen.

It was cloudy while you were there, so you digitally add in some sun. You did not make it to the volcano, but create a picture of yourself in front of one, just for show. Then you modem the pictures to your envious brother in Hong Kong.

This is the world that digital camera manufacturers are trying to create. Professionals and businesses are already making use of the devices, which can be cheaper than traditional cameras to operate and produce photographs that can be manipulated easily.

Digital cameras are moving rapidly into the mass market, too. In March, Apple Computer launched QuickTake 100, a digital camera aimed at the consumer market, which retails for about \$750. Two smaller California-based manufacturers, Dycam and Logitech, have launched similarly priced products. Sony of Japan already sells digital cameras, priced at about \$2,000 or more, to the professional and small business market, and hopes to introduce a mass market version in the next few years.

"Digital cameras will replace a large part of the traditional camera market over the next decade," predicts Alexis Gerard, managing editor of Future Image newsletter, an imaging publication. "That's because ultimately it will be cheaper to use – no film or developing costs are involved – and cheaper to produce because the only moving part on the digital camera is the shutter.

Digital cameras resolve certain storage problems as everything can be saved on computer. They also allow images to be sent by modem easily from one computer to another. "Whenever you digitalise something, it becomes more flexible," says Charles Lee, chief executive officer of GTE, the telecommunications group. "You can store it, send it. For that reason, digital cameras will eventually be an important part of the information superhighway."

Digital cameras do have drawbacks, however. The easy exchange of images through the information superhighway depends just as much on the construction of that network as on wide acceptance of digital cameras. Moreover, as all "ordinary" photographs can be digitalised, through the extra step of scanning the image, traditional cameras can be made part of the information superhighway.

Cost is also a barrier. Although the absence of film and developing expense can make the digital camera cheaper in the long run, a hefty initial investment is still required. The lowest priced digital camera is about \$750 – and that is before buying other hardware. Users must have access to a computer that can read the digital images, and to a sophisticated printer.

'Digital cameras will replace a large part of the traditional camera market over the next decade'

Images also need to be improved if digital devices are to pose a real threat to the traditional camera market. "One of the barriers to building the market is the quality of the image," says Michael Baron, vice president of business systems for the digital camera division of Sony. "With smaller photos, most people can't tell the difference between the [traditional] chemical and the digital product. But weaknesses are accented when you move to larger sizes."

Technology is moving rapidly to break down these hurdles. One of the most expensive inputs in a digital camera is the cost of the chips, dubbed "charge-coupled devices", and their price is coming down fast. "We hope to bring the price of a digital camera for the consumer market down to about \$350 within the next few years," says Peter Zan, product manager for Apple's QuickTake.

Dycam says its next model, to be launched early next year, will offer features such as interchangeable lenses. Manufacturers are working to make the camera compatible with a larger number of computers, and special printers are being developed for the market.

The digital camera works in the following way. By pressing the shutter, the user stores the picture in flash memory, and the image is compressed. The camera is then connected to a computer through a cable. The picture is decompressed and appears on the screen.

Despite problems, digital cameras are making inroads into the small business market. The camera is especially cost-effective for photographs being reproduced many times. Chemically developed images are expensive to reproduce, but thousands of digital images can be run off cheaply. Estate agents, for instance, could use the camera to provide photographs of houses for mass mailings; and business cards with photographs can be made at low cost.

Digital cameras are certain to encounter resistance in their push to replace traditional versions. Consumers are used to the old film-based devices, and will probably be reluctant to change. Professional photographers, morever, have been trained in chemical processes and may have difficulties switching to a technique that requires completely different skills, including computer knowledge.

"The main hurdle right now is user acceptance," says Sony's Baron. "It is very hard to change old habits, so we have to give people a very good reason to do it. The technology has either to offer a price advantage that will be hard to resist or produce something so superior that people will want to switch to it. Those days may be here eventually, but they are not here yet."

MANAGEMENT: THE GROWING BUSINESS

A Japanese businessman has found that a western approach to motivation has helped deliver spectacular results. **Emiko Terazono** reports

A role-play revolution

Tetsuo Mizuno has some advice for fellow businessmen struggling to find ways to make their companies more competitive. Don't follow conventional Japanese ways.

Mizuno heads Square, a small video game software house in Tokyo that, in spite of the recession, has seen phenomenal sales of its role-playing games for Nintendo's electronic game hardware.

Three out of four games it released last year were hits, selling more than 1m per game. The unprecedented craze for Square's games prompted children and parents to line up outside toy shops, hours before the sixth in its best-selling series reached the shelves last April. The game sold out within hours, and Square posted sales of Y25bn (£160.7m) in a month – almost equal to what it achieved during the whole of last year.

The company's break from traditional Japanese management of its employees appears to have been a factor in its ability to develop popular computer games. Its unconventional hiring policy is one of the underlying factors in its creative strength.

While most leading companies may be losing out on talent by limiting themselves to hiring university graduates, especially from top class schools, Square hires anyone as long as they are inventive and are competent. Some 80 per cent of Square's staff have held other jobs, including teaching, playing in rock bands and acting.

Other striking differences are the flexible working hours and the extensive holiday allocation. "Our business is entertainment. How can people have fun playing games made by workers who commute on a crowded train, wear blue suits and are constantly told what to do by their superiors," asks Mizuno.

Employees must touch base once a day, but as long as they are productive, do not need to keep set office hours.

Long holidays are rare in Japanese companies, which usually only allow employees to take one week off in the summer. Workers may be given a certain amount of paid annual holiday, but they are not really expected to take them.

Employees at Square, however, get one month's summer holiday, and an additional 20 days of paid holiday a year. The company encourages employees to travel, especially abroad, and from the second year in the company they can apply for special overseas trips.

Mizuno says he wants his employees to enjoy life and to experience different cultures in other countries. "Our games are based on adventures in castles, forests and caves. We want our staff to go and see what these places are really like with their own eyes," he says.

Square evaluates its employees by mixing the western merit approach and the Japanese life-time employment system. While those who help to create a popular game will be compensated, those that have not contributed see a pay rise equal to the cost of inflation.

The salary difference between employees who entered the company in the same year can amount to Y4m-Y5m. By providing incentives, the company attempts to increase productivity and morale. Says Mizuno: "You need to ask what people want to be doing in five years. How much they want to be earning, where they want to be living. If workers calculate backwards from such goals, it's clear what they need to do."

The company, which employs 250 staff, started as a software division of Denyusha, an electrical engineering company based in Tokushima in western Japan. However, the acute differences in management styles between the traditional Japanese engineering company and its almost radical computer game division prompted the company to split in two, forming a separate company based in Tokyo.

It is uncertain whether Square can preserve such a flexible management style once it grows into a bigger organisation. Mizuno doubts that it will become too big, because of the cost of games software. A computer game costs about Y10,000 and consumers seem willing to spend about Y40,000 to Y50,000 a year on games. He says the chances of the company growing larger than 400 people is slim.

One problem that the company's management has yet to solve is that its role-playing games have failed to cross the cultural barriers, and have not seen good sales in Europe or the US.

"I think we need more people who are multilingual, who know what's interesting for everyone all over the world. We need to start making games like Steven Spielberg films," says Mizuno.

Reuter

Tetsuo Mizuno: 'We want staff to see what places are really like with their own eyes'

BICs make progress

Europe's network of business and innovation centres (BICs) now totals more than 100, including offices recently established in the new democracies of central Europe.

Progress of the BICs was celebrated in Seville last week at a 10th anniversary congress of their Brussels-based umbrella organisation EBN*.

Developed from a pilot project launched in 1984 by the Directorate-General for regional policies of the European Commission (DG XVI), the centres were primarily intended to help create or expand innovative businesses in areas suffering from serious industrial decline.

Financed 50 per cent from Commission funds during their start-up period, some BICs have struggled to attract adequate funds from the private sector, government and local authorities. But the success of their avowed selective approach to small business support has in many of the cases been impressive.

A survey of 51 BICs relating to 1992 indicated that most of the "client" companies were in the information technology, electronics and applied engineering sectors, and that nearly 90 per cent had been in existence for five years (against a European average of 48 per cent for all types of company). Other features were a propensity to innovate, to invest, to export and to employ qualified staff.

EBN claims that today's BICs – whose services range from project detection and training to marketing advice and shared logistical support – have between them been responsible for the creation or the development of 4,000 SMEs and 20,000 jobs.

Philip Ellison, chief executive of Greater Manchester Business Innovation Centre, one of nine in the UK, says the BIC Europe-wide network is also "a brilliant one" for exporters, if used correctly.

Tim Dickson

*EBN, Avenue de Tervuren, 188A, Brussels 1150, Belgium. Tel: 322-7728900, Fax 7729574.

Tall order for small firm advisers

Paul Cheeseright looks at the uneven progress of Business Link

Wanted: the wisdom of Solomon and the diplomatic silkiness of Talleyrand, allied to rigorous diagnostic skills and plenty of demonstrable management qualities, all for between £18,000 and £30,000 a year.

The search for so-called personal business advisers to spearhead the UK government's latest drive to help small firms is starting in earnest now that the Business Link movement is spreading across the country.

Business Link is at the centre of efforts by Michael Heseltine, trade and industry secretary, to overhaul government support services to small business. The idea is that local and national services to business – information, training, help with exports and marketing, financial aid, consultancy and so on – be pulled together in one-stop-shops, branded with the name Business Link and subject to Department of Trade and Industry approval.

Training and enterprise councils have been trying to forge local alliances of councils, chambers of commerce and enterprise agencies to pool these services. But it can be difficult making the independent interdependent. "The partners are not automatically natural allies," said Richard Green, director of economic development at Birmingham City Council, at a conference earlier this month to assess progress. "There's a lot of institutional ground-beating going on at the moment," comments Brian Wright, chief executive of the London Enterprise Agency, on the subject of local turf wars.

Heseltine has been trying to snuff out such wars, recently telling the chambers of commerce to "join with your partners, get fully involved and don't let sentiment and parochial feelings prevent you from doing what you know to be right for our businesses."

Bruce Harris, managing director of Rochdale Enterprises, admits to fears among enterprise agencies of being submerged – but he has found there is life after partnership. "As we began to operate, we found the threat really wasn't there."

The evidence so far suggests a greater readiness to bury "sentiment and parochial feelings" in the Midlands and north of England than in the south. Of the 30 Business Link offices and sub-offices which have opened so far, only three are south of a line drawn from the Severn to the Wash, although six of the 11 offices opening next month are south of the line.

A further 36 Business Links have been approved by the DTI but of these only four are in the southern part of England. Six of the 19 proposals awaiting DTI assessment are in the south.

There is no particular reason why the south is tardier than the north. Officials surmise that in the north there is a longer standing habit of co-operation among economic agencies because they have been forced to come to terms with problems of decline less prevalent in the south.

But where Business Links have been set up, they have evoked a response. Birmingham has had 12,000 telephone inquiries since it opened last October. Leicester is receiving 4,500 telephone calls and 1,500 personal visits a month.

However, DTI officials and Business Link executives believe they can take the initiative in helping small companies work through management, sales, financial and production problems. Hence the search for personal business advisers.

"The personal business adviser is crucial to success. Unless they can make a practical contribution to business, Business Link will fail," warned Sarah Brown, head of the DTI's small firms division.

Manchester Business Link has found 500 small companies with growth potential, to which it wants to offer its services. "We want to learn from the successful. We've also identified a group of triers – the next tranche on the list for business advisers. We see ourselves starting at the top of the pyramid and working down," said John Browne, managing director.

"We've focused on the three sectors of the Walsall economy – automotive components, plastics and construction products," reported Bob Baggott, working to get Walsall Business Link running. The office will target companies employing between 11 and 50 people. Already it has recruited three business advisers to go on the staff.

Leicester's main business advice comes from 20 self-employed consultants, working under contract. "The average personal business adviser is the 55-year-old executive who wants to put something back in the community," said Tony Grice, chief executive of Leicester Business Point.

Certainly the adviser, in Browne's view, must "have been around the street," run a business, have financial skills and two or three years' consultancy experience. "Interpersonal skills are the most important because we are trying to open the minds of people," declared Sue Cheshire, executive director of Hertfordshire TEC.

These paragons, actual or aspiring, seem thick on the ground. Walsall put two advertisements in the regional press for its jobs and had nearly 400 applications.

LEGAL NOTICES

No. 003371 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
dewhurst [illegible] group plc
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 26th May 1994 presented to Her Majesty's High Court of Justice for (i) the confirmation of the reduction of the capital of the above named Company from £4,280,701.80 to £2,500,000 and (ii) the reduction of the Share Premium Account of the Company from £16,079,401.78 to £1,562,401.78.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 29th day of June 1994.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

DATED this 14th day of June 1994.
Gouldens of 22 Tudor Street, London, EC4Y 0JJ
Solicitors for the above named Company.

PEOPLE

Daly grasps competitive nettle

Alec Daly was a founding member of the Confederation of British Industry's National Manufacturing Council so it is only fitting that he should now be asked to run it, following the departure of Mark Radcliffe.

Daly, who is 58, will take over responsibility for the council in September on his appointment as the CBI's deputy-director general.

A main board director of GKN from 1986, his career at the sharp end of manufacturing industry includes a spell with International Computers in the 1960s and 14 years with Ford, where he ended up as head of truck manufacturing operations in the UK and on

the continent.

He joined GKN in 1978 as chairman of GKN Sankey and leaves as managing director of GKN's Engineered and Agricultural Products business.

Daly confesses to having harboured early reservations about the value of a body formed to help put some competitive bite into British manufacturing but says he has been enormously encouraged both by the enthusiasm of council members and by the government's new commitment to the competitiveness issue.

"The political climate is right and there is an absolute need for British companies to grasp the nettle and establish the highest standards so that they can compete with the world's best. I hope to help ensure the message is taken on board and turned into success."

Tom Scott jumps ship

Swan Hunter's shipbuilding manager Tom Scott, the man who has kept outfitting work on target on the company's last three frigates despite receivership and mass redundancies, has left for a new job.

Scott, 55, starts work next Monday at Yarrow on the Clyde, where he will be supervising the outfitting of another three Type 23 frigates, won against stiff competition from Swans a couple of years ago.

He has spent more than 20 years at Swan Hunter, but continuing uncertainty over the company's future, and the offer of a plum job as Yarrow's divisional manager in charge of post launch work, tipped the balance and he quit the Tyneside shipbuilder on Friday.

Scott is modest about his achievement in motivating Swan's workforce through such a difficult 13 months since receivership. "If ever a workforce deserved success it's Swan's for what they've done."

The Ministry of Defence has yet to decide on which yard should refit the landing ship Bedivere; among the competitors for the refit, on which Swan's future depends, is Yarrow.

■ Edwin Marks, 68, a US investment banker, has resigned as a non-executive director of Smith New Court, the UK investment banking group which recently reported more than doubled profits.

Marks, president of CMCO (formerly Carl Marks & Co), joined the board in March 1988 when his firm merged its US securities trading, clearing and custodial business with Smith New Court. CMCO used to be the second biggest investor in Smith New Court, after the Rothschild group. However, over the past year it has reduced its stake from 8.05 per cent to 4.15 per cent.

Meanwhile, the group has appointed five new executive directors thereby increasing the size of the board to 39, including six non-executives. Graham Meek, 47, a former partner in Wood Mackenzie who joined Smith New Court in May 1991, has joined the board along with Michael Davids, 40, deputy managing director of UK agency; Jun Miyazaki, 43, head of operations in Tokyo; David Smith, 44, who joined the firm as a market maker in 1972; and Jeremy Tulk-Hart, 47, who runs Smith New Court's syndication desk.

■ Peter Williams has been appointed director of procurement at WPP; he moves from British Airways.

Rover Group's launch pad

Terry Morgan is leaving the driving seat he has occupied at Land Rover Vehicles for the past three years to become managing director of British Aerospace's Royal Ordnance division.

The 42-year-old Morgan, who has been with Land Rover in various roles since 1985, forged his first links with Royal Ordnance during BAe's ownership of Rover Group – not particularly surprising, since Land Rover is almost the definitive light military vehicle.

He takes up the job on August 1 and for the first time in his career will not be directly involved in the motor industry. Before joining Land Rover as production director in 1985 he was with Leyland Bus as manufacturing director. His career began with an apprenticeship in Lucas' Girling brakes division.

Replacing him as managing director at Land Rover is 36-year-old Ian Robertson, who steps up from purchasing director. Robertson is a Rover group man through and through, joining what was then British Leyland's purchasing department from university in 1979 and subsequently working his way through a variety of positions – from logistics to plant director – across the group.

Meanwhile another Rover veteran – of 37 years – Fred Coultas is taking over as managing director of British Motor Industry Heritage Trust, which controls the new motor museum and heritage centre Rover has set up within its Gaydon, Warwickshire, research and development centre. He succeeds Peter Mitchell, who is retiring after getting the centre up and running.

Non-executive directors

■ Hugh Mellor at GOVETT ORIENTAL INVESTMENT TRUST.
■ David Sharpe has resigned from REFLEX GROUP.
■ Doug Rogers, chairman of Newman Tonks Group, at SUTER, following its acquisition of James Wilkes.
■ Clive Strowger, chief executive of APV, at POWELL DUFFRYN.
■ Alan Jones, md of Chartwell Land, at UPTON & SOUTHERN HOLDINGS.
■ Ronnie Yearsley, former chairman of BIS Information Systems, as chairman at RESOURCE MANAGEMENT SYSTEMS.
■ Bernard Bensley has retired from HUNTING.
■ Robin Gourlay, a director of BP, at The RUGBY GROUP.
■ Michael Kingshott as deputy chairman at EMBASSY PROPERTY GROUP.
■ Andrew Simon, former chairman and chief executive of Evode, at PHILIP HARRIS.
■ Howard Phillips, chief executive of Perkins Foods, at TRANSPORT DEVELOPMENT GROUP.
■ Iain Bell, chairman of Vymura, at FIFE INDMAR.
■ Colin Gaskell, group md of The 600 Group, at TELEMETRIX.
■ Nigel Anderson, former joint md of Gallaher Tobacco, at the ENLIGHTENED TOBACCO COMPANY.
■ Robert Hinde, a former partner of Jones Lang Wootton, at FISCAL PROPERTIES.
■ Peter O'Connor at ANGLO-EASTERN PLANTATIONS.
■ Tom Cusack and Frank Herringer have retired from SEDGWICK GROUP.
■ Michael Borlenghi, chairman of British Fittings Group and Provend Services and a former director of GKN, at BROMSGROVE INDUSTRIES.
■ Richard Fortin at ADWEST.

James White

James White, chairman of Ashley Group, and a non-executive director of Bowater, Branson Electrical, Lucas Industries, Miller Insurance, Perry Group, Redland Group and SmithKline Beecham, has died at the age of 56. He was chairman and chief executive of Bunzl from 1988 to 1990.

Trade mark rules accord with treaty

EUROPEAN COURT

National trade mark rules which allowed imports to be banned because they might be confused with domestic goods were compatible with Rome treaty provisions on the free movement of goods, the European Court of Justice said last week.

The case concerned the importation of heating installations into Germany from France. The goods, which were made in France, were sold under the trade mark "Ideal Standard".

Until 1984, an American company held the rights to "Ideal Standard" and marketed sanitary equipment and heating installations under that name through subsidiaries in Germany and France. But in 1984 the French subsidiary was forced, due to economic circumstances, to sell its heating installation business, together with the trade mark, to an outside company with no link to the Ideal Standard group. The trade mark rights were later sold on to another company, also independent of the original grouping.

It was the German subsidiary of this last company which found itself before the German courts for trade mark infringement, having imported heating installations into Germany from France with the name "Ideal Standard".

The plaintiff company still held the right to the trade mark "Ideal Standard" for both sanitary equipment and heating installations but it had stopped producing and marketing heating installations in 1976.

The Dusseldorf court found in favour of the plaintiff. It said the French imports risked confusing consumers. It also found that the relevant EC law was clear and thus refrained from seeking a preliminary ruling from the ECJ.

The German importer appealed. The Dusseldorf Appeal Court referred the case to the ECJ, asking whether there was an unlawful restriction on the free movement of goods under the EC treaty. At the time there were no harmonised Community rules on trade marks.

The ECJ said it was common ground that the restriction on the German importer was a measure of equivalent effect to a quantitative restriction within the meaning of the treaty. The question was whether it could be justified.

The Court had already ruled in the *Hag II* case that such restrictions could be justified, but in that case, not only was the name of the trade mark identical but also the products concerned were identical.

In the present case, although the trade mark name was identical, the German holder of the trade mark no longer sold the products being imported.

The Court said that, where a risk of confusion existed for consumers between two products, it did not matter whether the goods were identical or sufficiently similar. In the present case, the national court had decided on the facts before it that a risk of confusion existed. The Court could not substitute its own findings on the facts; thus, given that a risk of confusion existed, the position was as if the goods in question had been identical.

The question that remained was whether the Court's findings in *Hag II* could apply not only to the facts of that case – where the trade mark rights were forceably removed from the holders by sequestration – but also to the present case where there had been a voluntary transfer of trade mark rights.

The Court said they could. The determining factor in *Hag II* had been the absence of consent by the trade mark holder in the country of importation to the selling in the exporting country of similar products sold by the trade mark holder in that country. In such circumstances, the free movement of goods would jeopardise the essential function of the trade mark; consumers would not be able to identify with certainty the origin of the marked goods and the holder of the trade mark could be held responsible for the poor quality of goods for which he was not responsible.

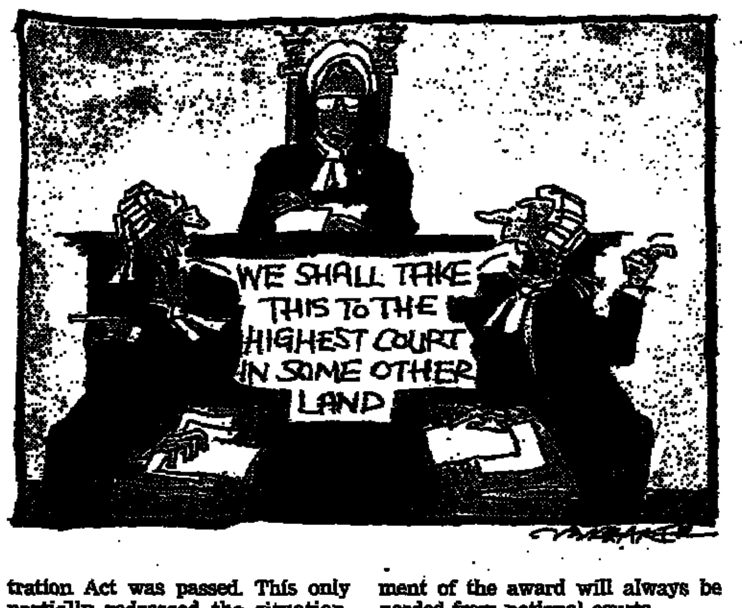
The Court found this reasoning would not have been altered if the transfer of trade mark rights had been made voluntarily rather than by sequestration. Therefore its findings in *Hag II* applied.

C-9/93: IHT Internationale Heiztechnik GmbH v Ideal Standard GmbH, ECJ FC June 22 1994.

BRICK COURT CHAMBERS, BRUSSELS

A question of costs

Julian Lew says a Lords' decision could mean fewer arbitrations in England



A recent decision by England's Law Lords may have undermined London's attraction to the international business community as a venue for international arbitration.

Concern about unwarranted interference by the English courts in arbitration proceedings will inevitably make many English and foreign lawyers think very carefully before choosing London as the place of arbitration in disputes arising out of international contracts.

English law has long been a significant export from the UK. International contracts of all kinds involving parties from different countries are often subjected to English law.

Particularly in the emerging markets of the Far East, English law is chosen to regulate construction, agency and distribution, intellectual property, joint venture, investment and finance contracts.

English law is chosen because the parties feel it is intrinsically the most appropriate system for their particular problem. This may be because the parties cannot agree to use either of their national legal systems but accept English law as a neutral body of law.

They choose English law not because it is that much better than many other national laws, but because it is a commercial, well-developed, tried and trusted system; because the English language is the main international trading language; and because there is a large reservoir of experienced and able English lawyers.

French law, Swiss law and New York law, however, are equally highly regarded around the world, and are also often considered suitable for regulating international contracts.

Due to Britain's trading eminence last century and early this century, London became, and remains, a centre for many forms of arbitration, particularly those involving maritime and commodity issues.

One of the factors that made England a popular arbitration venue was the fact that English law and the courts supported arbitration proceedings to a greater degree than in many other countries.

But whether due to arrogance or conservativeness, English law fell behind the times and more and more international arbitrations went to other countries, notably to Switzerland, France and the US.

The movement of arbitration away from England in the 1970s was a direct result of the interference of the English courts which allowed the parties to abuse the case-stated procedure, giving the courts an opportunity to review decisions of arbitrators.

After a clamour from lawyers and some business circles, the 1979 Arbitration Act was passed. This only partially redressed the situation. The power of the English courts to review decisions of arbitrators was greatly curtailed and limited to important questions of law, having wider application than for any one particular case.

Moreover, in international matters, except in traditional London maritime, commodity and insurance arbitrations, the parties were permitted to agree in the arbitration agreement to exclude judicial review of the award.

Nevertheless, English law is now out of step with most other arbitration systems.

There is one underlying intention behind every arbitration agreement: to exclude the jurisdiction of national courts in favour of an arbitral tribunal. While speed and low expenses do not always result from a resort to arbitration, the ability to have an arbitrator with knowledge and experience of a particular commercial sector, and a degree of privacy and confidentiality of the dispute and the procedure, are the main reasons why parties favour arbitration.

But arbitration cannot occur in a vacuum: the agreement of the parties to submit to arbitration, support for the procedure, and enforcement of the award will always be needed from national courts.

The question is the extent to which national courts should, practically, supervise and control arbitration proceedings.

In many countries, this dividing line has often become blurred. It is difficult to tell a national court judge that he has and should exercise no jurisdiction over an arbitration amd expect him to accept that.

Hence, when a cogent argument is made that justice necessitates the intervention of the court (even though the real aim is to avoid or frustrate arbitration proceedings), the court will be reluctant not to attempt to provide the justice sought. When this occurs, it is done with a parochialism which reflects national law and procedure, and ignores that fact that the parties come from different systems.

This problem was well illustrated by the recent House of Lords decision in the *Ken-Ren* case*. This was a typical international arbitration, between a Kenyan claimant and defendants from Belgium and Austria.

The claimant was insolvent but the arbitration was being funded by the Kenyan government. A tactic to avoid litigation in England has always been to seek security for costs from the foreigner. This is to tie in with the general rule in England that the loser pays the winner's costs – a rule which does not exist in most other countries. In international arbitration it is a power that is sometimes, but not invariably, exercised by arbitrators.

English law gives the courts the power to order security for costs in arbitration; arbitrators only have that power if expressly agreed by the parties. The House of Lords decided, by a majority of 3:2, that in certain circumstances, and very exceptionally, the English courts could intervene in an international arbitration and require a claimant to put up funds as security for costs merely because that arbitration is taking place in England.

This decision was based, primarily, on a belief that, if arbitration occurs in England, it must be subject not only to the supervision and control of English courts, but ultimately also to English procedural rules.

The particular characteristics of the *Ken-Ren* case are of secondary importance. What is crucial is the fact that by their approach the Law Lords have placed a disincentive to parties to come to arbitration in England.

Why should parties who come to England due to its neutrality, geographic convenience, and local legal expertise be subject to the inconvenience, and sometimes idiosyncracies, of certain English procedures.

If arbitration is directed away from London, Britain's invisible earnings will suffer and the influence of English law on commercial transactions generally in other corners of the world may be affected.

If security for costs is to be allowed at all (and there are divergent views) it is the arbitrator rather than the court that should decide the issue.

This issue will feature prominently over the coming months in the debate over the development of a new arbitration law in the UK. The international arbitration community will watch with interest. For the moment it is probable that the effect of the recent House of Lords' decision will be to persuade foreign lawyers and parties to locate their arbitrations elsewhere.

The author is a partner of Coudert Brothers, the international law firm, and Head of School of International Arbitrations at the Centre for Commercial Law Studies, Queen Mary and Westfield College, University of London.

**Coppée-Lavalin SA; and Voest-Alpine Aktiengesellschaft v Ken-Ren Chemicals and Fertilizers (in liquidation in Kenya).*

LEGAL BRIEFS

Officials sued over diversion to reduce deficit

California state officials are being sued for the return of $700m allegedly taken illegally from the state's 700 "special funds" to pay off a deficit in the state's "general fund".

The action has been brought by the California State Electronics Association and others which have contributed to the special funds over the years. Money in the special funds comes from licensing fees and is earmarked by California law to be used only to regulate businesses and professions and provide consumer protection. The action claims the state legislature illegally authorised the state government to transfer money from the special funds to the general fund between 1991 and 1994.

Mr Richard Fine, attorney for the plaintiffs, said that, as a result, the reserves of the special funds had dropped by more than $720m from $1.56bn on June 30 1991 to $848m on June 30 1994. "This 46 per cent reduction will deny Californians the level of consumer protection they have a right to," he added.

Legal losses

Hundreds of UK law firms could go bust over the next three years according to a survey of law firm performance by Coopers & Lybrand. The accountants' annual survey of Law Firm Financial Management shows a general improvement in the performance of most firms – almost 60 per cent increased profits per partner last year. But 25-30 per cent of firms continued to report a further fall in profits coming on top of poor performances in 1991-92 and 1992-93. Coopers says these firms have become locked into a cycle of reduced profits, lower investment and an inability to recruit and retain quality staff. Many of them would not survive the next few years.

An exalted 'Tristan'

David Murray hails the operatic inauguration performance in the new Edinburgh Festival Theatre

In what are still difficult times, it is extraordinary that the two premier festivals of Great Britain, Glyndebourne and Edinburgh, should have realised their matching, long-standing dreams only weeks apart – and not just successfully, but triumphantly. A month ago Glyndebourne reopened in its superb new house, with half again as many seats and a real acoustic at last. On Saturday the new Edinburgh Festival Theatre, half again larger than *that*, had its operatic inauguration with Wagner's *Tristan und Isolde*: a stern test for any house, but passed here with resounding credit and a truly memorable performance to boot.

The gods must have smiled upon the project, for few new opera houses since Bayreuth can have had gala openings of this exalted musical standard. Not *all* the gods, as it happened: that afternoon, a large parade in favour of Jesus disrupted traffic so severely that many *Tristan* patrons – at £175 a head – arrived only in time to view Act 1 on the café-bar monitor. But there was no further divine intervention; and to the unlucky latecomers I can say that nothing in Act 1, admirable though it was, rose to the wrenching splendours of the later acts.

The EFT is not exactly "new", for it has retained and refurbished the entirely satisfactory auditorium of the old Empire (1928, designed by the Milburn brothers of Sunderland after the previous Frank Matcham theatre burned down) – broad and unshowily handsome, excellent sight-lines, no seat much further than 30 yards from the lofty stage. The latter is quite new, like all the backstage facilities too; it is now the largest in Europe. Equally the flashy front-of-house, which displays the expansive new foyers on all three levels through a gigantic glass wall to the world outside.

Nor, despite its name, is the EFT a creature of the Edinburgh Festival: it is a self-christened "lyric theatre" which will have to sell itself all year round, not only as the second home of Scottish Opera and the Scottish Ballet, but as a showcase for practically anything that will draw a sufficient audience. For the annual Festival, nonetheless, it will be a boon, a huge asset and a blessed rescue.

It is no secret – indeed, it is a kind of scandal – that Edinburgh's lack of an adequate opera-venue has been an unstaunched Tristan- or Amfortas-wound in the flesh of the Festival these many years, with repeated promises regularly scotched by civic parsimony and argy-bargy. Very late in the day, dogged thrift had its unexpected reward when the Moss organisation decided to give up the Empire, run as a bingo-hall since 1962, for a bargain price. For a mere £21m more, much of that private and corporate money, Edinburgh has made itself an opera-house that should transform the Festival and the yearly season over a long time to come.

This Scottish Opera *Tristan*, staged by Yannis Kokkos, is a co-production with Welsh National Opera. First seen at Cardiff 16 months ago and roundly acclaimed, it has been partly re-cast (for the better, by all accounts), and Richard Armstrong now finds himself conducting an orchestra which must be every bit as musically attentive as its Welsh counterpart. He took most of Act 1, and especially the great Prelude, at tempi so intensely slow as to tempt fate, but the players sustained them bravely. The effect was imposing, if measurably self-conscious: even the young-middle-aged Armstrong, devoted as he is, cannot just slip into the clothes of old Furtwängler or Goodall.

Tristan's stately declamations exposed the heavy beat in Jeffrey Lawton's warm, dignified tenor, and Isolde's simmering fury is not a natural vein for Anne Evans. With the descent of Romantic rapture, however, the earth moved. In Act 2 Armstrong paced Isolde's impatient longings and the subsequent love-duet marvellously, with a wealth of fresh, tingling orchestral detail. With his speaking *pianissimi* no less than his urgent explosions, the EFT acoustic seemed to accommodate voices and orchestra alike, with perfect transparency and balance.

Lawton rose to a throaty, Jon Vickers-ish intimacy that tore at one's heart, and Evans was luminous with elevated passion. As Brangaene, Kathryn Harries issued her anxious warnings in haunting depth. Isolde's husband King Marke, the Norwegian bass Carsten Stabell, capped it all with a reproachful monologue of sterling moral weight, enough to re-cast all the erotic action in a new light – as it should do, but rarely does. As for Act 3, I hardly know whether to praise Lawton's desolate agonies more, or Armstrong's knife-edge quickness in capturing every turn of his epic self-searchings.

We were gripped and scathed. Kokkos's spare direction, as plain and economical as his near-abstract sets, let every moment stab cleanly home. James Johnson's fine Kurwenal came into his own, wracked by loyal desperation. Iain Paton represented the Shepherd in uncommon sympathetic depth (abetted by a fine cor anglais), like John Harris's angry Melot. Miss Evans was visionary and nobly persuasive in the *Liebestod* – but it was a mistake to let the lights fade slowly on her statuesque pose after the music had stopped: *Tristan* must end with its soft, absolutely final note.


Bill Cooper

The gods smiled and we were gripped: Anne Evans and Jeffrey Lawton in the title roles of the Yannis Kokkos's Scottish and Welsh co-production, conducted by Richard Armstrong

Theatre

'Rage' saved by the acting

There is not much rage in the new play at the Bush, despite its title. No heavy bombs either, despite the fact that it is set in Slough. Here is suburban, middlebrow drama, heavily influenced by television. The toast to the Bush is that they do it so well.

Richard Zajdlic, the author, is currently contributing to the TV soap, *EastEnders*. *Rage* may seem an odd play for the Bush to pick up, but at least the choice shows the theatre's versatility. The director is Mike Bradwell who has worked at the Bush, on and off, for years and knows the place inside-out. He can stage a success even with a text that belongs to another medium.

Nothing in *Rage* is particularly surprising. It is the tale of a two parent, two children family on the verge of a 20th wedding anniversary of a marriage that has nothing much to celebrate except survival. The husband is a GP long out of love with his wife, but not much enamoured of anyone else. The wife still clings to him. Daughter Kate is doing A levels. Son Nicky is a bit of a drop-out. Kate is on the conventional pill, prescribed by another doctor. Nicky is on anti-depressants, prescribed by his father.

By the end of the celebration, Nicky has committed suicide, possibly having stabbed a police woman in the course of an unexplained crime. The rest is essentially an inquest into how the family got into such a position in the first place, plus a vignette of a local reverend coming to show sympathy and a sub-plot about the woman police officer and her detective boy friend.

If it were the play alone, there would be nothing to write home about. *Rage* is redeemed by remarkable acting. Sue Johnston as the wife has few memorable lines, but she succeeds by her presence and her voice in putting feeling into clichés. Nicky Henson as the doctor has a slow start, mainly coming home tired to reach automatically for the whisky and soda. Yet as he stands on the stage, shoulders hunched, you can see that he might once have been a medical researcher in America rather than a GP in Slough and does not wholly regret the decision to stay with the hum-drum, including his wife.

None of the other parts quite match these two. The portrayal of the visiting cleric at a time of grief is a mixture of the cheap and the insulting. The sub-plot of the affair between the police officers is plainly indebted to David Hare's *Murmuring Judges* and remains pointlessly obscure. Nevertheless, Bradwell's production demonstrates that it is just about possible to make a silk purse out of a sow's ear: mediocre play, wonderful playing.

Malcolm Rutherford

Bush Theatre, London W 12. (081) 743 3388


'La Loge' by Renoir, which in 1925 cost £24,200

Pioneer of public taste

William Packer admires Samuel Courtauld's impressionist collection, now hung in the Great Gallery of Somerset House

At their former home in Woburn Square, collections in the Courtauld Institute's galleries were a close kept secret. Their move in 1989 to Somerset House, William Chambers' classical masterpiece at the far end of the Strand, was expected to change all that. But there are still problems.

The Strand is no longer the fashionable thoroughfare it was and, at the Aldwych end, has long been a forbidding one-way maelstrom. Sign-posting is, to say the least, discreet and the entrance facade of Somerset House itself is hardly welcoming, with its barriers and car-park overseers. That the courtyard beyond, potentially one of the great public spaces not just of London but of Europe should be the private car-park of Her Majesty's Revenue Men, is a scandal.

Inside, however, things are looking up. The problems of heating and air-conditioning appear to have been resolved, albeit in somewhat ad hoc fashion in the short term, and much of the permanent hang has been rehung, to advantage. But the most significant change is the recent decision of the new director, John Murdoch, to return the Great Gallery on the top floor to its proper purpose as a prime exhibition space.

There, at the top of the vertiginous staircase, where Rowlandson's rakes and beauties once heaved together at the Royal Academy's private view, we now have as our first taste of the new policy an exhibition given over to the eponymous Samuel, collector of French impressionism and pioneer of public taste. Samuel Courtauld, an industrialist who had made a great fortune out of the manufacture of rayon, became interested in impressionism on seeing the Lane Bequest at the National Gallery in 1917. He began to collect on his own account and by the end of the 1920s had acquired representative works by all the major impressionists and post-impressionists, and was especially strong on Cézanne and Seurat. He also endowed a purchase fund at the National Gallery, by which such things as Cézanne's self-portrait, Degas' "Young Spartans" and "Miss La La", Van Gogh's "Chair" and "Sunflowers", and Seurat's huge "Bathers at Asnieres" came into public hands.

This exhibition presents not just the cream of the paintings and drawings that comprise the Courtauld Bequest itself, but also brings together some of the works he gave away or left to friends and family on his death in 1947. There are three besides, all masterpieces, to represent the National Gallery's good fortune – Monet's "Gare St Lazare", Renoir's "Boating on the Seine" and Picasso's "Child with Dove".

It is astonishing to stand thus surrounded by great paintings, and not a little envious at what one man was able to get for himself to enjoy – a pique barely assuaged by his conspicuous philanthropy in passing it all on to us. I have nothing against great art being held in private hands: I would only like to get my hands on some of it myself. The serious point is that true art, I am convinced, is charged up in a curious way, by being privily held and loved for a period before it moves into public limbo.

How familiar so many of these things, which in the 1920s were a matter still of some controversy, have become to us. It was Courtauld who bought the Van Gogh "Self-Portrait with a Bandaged Ear" for £10,000 in 1928, and not the National Gallery. He also bought Cézanne's "Man with Pipe" for £7,500 in 1927, and "Gravelines" by Seurat in 1926 for £3,100. The price of the ravishing Modigliani seated nude, bought around 1931, is unfortunately not known. These were difficult pictures still, at serious prices no doubt, but by no means exorbitant, even then.

Renoir no doubt was safer (the exquisite "La Loge", of the girl in black and white in her theatre box, got for £24,300 in 1925), and Manet too (his "Bar at the Folies-Bergère" the prize of the collection, at £24,100 in 1926). But even so, these were capital works, manifestly museum paintings in prospect, and so many of them still available. All the prices known are given, which gives a fascinating gloss to the show.

With the smaller works and drawings, this knowledge is even more piquant – £700 or so for a Seurat study of the river-bank; £282 for an ink-and-wash drawing by Guys of two fashionable women; £750 for Seurat's monumental chiaroscuro nude – but I cannot bear to go on. The drawings in their way are as well-judged as the paintings – Forain, Lautrec, Daumier, Cézanne. The dark pastel by Degas, of a seated woman seen from behind as she fixes her hair, is one of the best drawings that greatest of draughtsmen ever did.

Impressionism for England: the Samuel Courtauld Collection; Courtauld Institute Galleries, Somerset House, the Strand WC2, until September 25. Sponsor: Cantor Fitzgerald.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight, tomorrow, Thurs: Merce Cunningham Dance Company in Ocean, a project based on an idea by Cunningham and John Cage. Next Mon: Christoph Rousset conducts first of four performances of Pierre Audi's production of Monteverdi's L'incoronazione di Poppea (020-625 5455)
Concertgebouw Sat: Yoel Levi conducts Orchestras and Choruses of the Hague and Amsterdam Conservatories in Mahler's Second Symphony, with soloists Roberta Alexander and Jard van Nes. Sun: Günther Herbig conducts Hague Philharmonic Orchestra and Chorus in Brahms' German Requiem, with soloists Annegeer Stumphius and John Bröcheler. Next Mon and Wed: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Stravinsky and Brahms (ticket reservations 020-671 8345)

BARCELONA

Edita Gruberova and Alfredo Kraus head the cast in Lucia di Lammermoor tonight, Sat, next Wed and Sun at the Palau Sant'Jordi sports palace (seating capacity 16,000), conducted by Richard Bonynge (318 9122)

CHICAGO

THEATRE
- A Little Night Music: Michael Maggio directs this Sondheim classic, hailed as the perfect romantic musical comedy (Goodman 312-443 3800)
- Guys and Dolls: Jerry Zaks' award-winning revival of the timeless musical fable of Times Square gangsters, gamblers and good-time girls is in its final week in Chicago before continuing on a national tour (Shubert 312-902 1500)
- Breaking the Code: Hugh Whitemore's 1986 play about loyalty, national expediency and homosexuality. In repertory with Anthony Clarvoe's The Living, a new play about the London Plague of 1600 (Interplay 312-654 1055)

RAVINIA FESTIVAL
In tonight's concert, Christoph Eschenbach is conductor and pianist in an all-Mozart programme with Ravinia Festival Wind Soloists. Tomorrow, Thurs and Fri, Eschenbach conducts the Chicago Symphony Orchestra. Tomorrow's programme consists of works by Mozart and Johann Strauss, with instrumental soloists Pamela and Claude Frank. Thurs: Dvorak, Reger, Liadov and Tchaikovsky, with piano soloist Peter Serkin. Fri: Francsco Araiza and Thomas Hampson sing Mahler's Das Lied von der Erde. Sat: Marvin Hamlisch and the Ravinia Festival Orchestra in a night of popular songs and tunes. Next week's concerts feature Placido Domingo, Lynn Harrel and David Sanborn. The festival runs till August 28. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

COPENHAGEN

Tivoli Tonight: Yuri Bashmet directs the Moscow Soloists in works by Mozart, Stravinsky and Brahms. Thurs: Prazak Quartet of Prague plays string quartets by Haydn, Janacek and Dvorak. Sat: Walter Weller conducts concert performance of Salome, starring Hildegard Behrens (3315 1012)

FLORENCE

Lorin Maazel conducts the Pittsburgh Symphony Orchestra tonight at Teatro Communale in works by Rakhmaninov and Ravel. The Maggio Musicale ends on Thurs and Fri with Beethoven's Ninth Symphony conducted by Semyon Bychkov. The concert on Thurs is at Teatro Communale, while the final performance on Fri is a free open-air event at Piazza della Signoria (055-277 9236)

GENEVA

Grand Théâtre The season ends on Thurs with the final performance of Lohengrin, staged by Robert Carsen and conducted by Christian Thielemann, with a cast headed by Thomas Moser and Eva Johansson (022-311 2311)

ROME

The Romaeuropa Festival opens on Sun with an open-air concert at Piazza Navona featuring the Rome opera and radio orchestras, jazz ensembles, choirs and numerous soloists. Ohad Naharin's Batsheva Dance Company gives performances next Mon, Tues and Wed at Giardino del Museo. The festival, which runs till July 25, also features Bill T. Jones/Arnie Zane Dance Company, Groupe Emile Dubois, Angelin Preljocaj and the Prague Opera Ballet, two evenings of music by Nono and four concerts built around the music of Iannis Xenakis (tickets 06-361 2682/06-372 0216/06-291 0335 information 06-4890 4029)

STUTTGART

LUDWIGSBURG FESTIVAL
There are four concerts to choose from on Sat – by the Johann Strauss Chamber Orchestra, Rosamunde Quartet, Vienna Zither Quartet and an open-air performance of Brahms' Liebesliederwalzer followed by fireworks. John Eliot Gardiner conducts Don Giovanni on July 8 and 10. Jessye Norman gives a recital on July 28 (07141-939610)

TURIN

A three-week dance festival opens next Tues at Teatro Regio with the first of three performances by Lyon Opera Ballet, featuring Maguy Marin's production of Coppelia. Other guest ensembles include the Frankfurt Ballet, Ballet National de Nancy et de Lorraine and Compania Vicente Saez (tickets 011-881 5241 information 011-881 5383)

VIENNA

Staatsoper Riccardo Muti conducts tonight's performance of Le nozze di Figaro, with Bryn Terfel as Figaro. Neil Shicoff and James Morris head the cast in Les Contes d'Hoffmann tomorrow. The season ends on Thurs with Tosca starring Raina Kabaivanska, Luciano Pavarotti and Sherrill Milnes. The Staatsoper will then close for extensive renovation work, with the re-opening scheduled for December 13 (51444 2969)
Musikverein Peter Keuschnig conducts Vienna Symphony Orchestra on Thurs in works by Mendelssohn and Weber. On Sun morning, Alfred Eschwé conducts Beethoven's Sixth Symphony and Rimsky-Korsakov's Scheherazade (505 8190)
Schönbrunn The Roman ruin in the park of the former residence of the Hapsburgs provides an attractive venue for the Vienna Kammeroper's summer performances of Le nozze di Figaro in July (starting next Mon) and Don Giovanni (Aug 9-27). On Sat, Schönbrunn is hosting a baroque fair, with music and culinary specialities from the baroque era (513 0851)

WASHINGTON

- The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam War. Daily except Mon (202-467 4600)
- David Lockington conducts the Baltimore Symphony Orchestra in Fourth of July holiday weekend concerts in the open-air at Oregon Ridge on Sun and Mon. The programme includes Tchaikovsky's 1812 Overture (410-783 8000)
- Art Garfunkel and Arlo Guthrie give a concert at Wolf Trap on Sun, followed by Earth Wind and Fire next Tues (1624 Trap Road, Vienna, Virginia, 703-255 1860)
- Shenandoah Shakespeare Express presents Much Ado About Nothing, Othello and The Taming of the Shrew this week at Folger Shakespeare Library. Each play runs for two hours without interval (202-675 0342)
- The Trip to Bountiful, Horton Foote's play about an elderly woman's search for peace in the midst of family struggle, runs till Sun at Olney Theater (301-924 3400)
- Iolanthe, the Gilbert and Sullivan operetta, opens on Thurs for a month-long run at the Lansburgh Theater (703-760 9863)

ZURICH

Opernhaus Tonight, Fri, Sun: Franz Welser-Möst conducts Erwin Piplits' new production of Rusalka. Tomorrow: Don Carlo with Vincenzo La Scola, Nicolai Ghiaurov and Mara Zampieri. Thurs: Die Zauberflöte. Sat: Fedora with Baltsa and Carreras. Sun morning: Vladimir Fedoseyev conducts orchestral works by Tchaikovsky, Bruch and Skryabin. End of season (01-262 0909)
Tonhalle Thurs: Gary Bertini conducts Tonhalle Orchestra in works by Webern, Mozart and Schoenberg (01-261 1600)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730; 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

BRETTON WOODS YEARS

Fund in search of a role: delegates at the Bretton Woods conference, at which the IMF was founded

Mission statement for a liberal order

Deepak Lal continues the series on the anniversary of Bretton Woods

The twin Bretton Woods institutions (the World Bank and the International Monetary Fund) were conceived when world capital market had been virtually extinguished by the tribulations of the inter-war period. Plaudits on their 50th birthday are justified for their role in creating a new liberal international economic order, underpinned by an increasingly integrated world capital market. But this very success poses questions about their future. Once the universal move to market economics is completed, will there be any need for the short- and long-term lending of these institutions?

The answer is bleaker for the IMF, which has no ostensible role with the collapse of the Bretton Woods system.

As far as the World Bank group is concerned, it has moved seemingly effortlessly from providing long-run capital to the war-devastated economies of Europe and Japan, to supporting developing countries shut out from the long-term bond market since their widespread default in the 1930s, and most recently to the capital-constrained ex-communist "economies in transition". It has also evolved many roles – as a financial intermediary, an aid institution, a provider of technical assistance, a credit rating agency for sovereign risk, and a major development research institute.

Financial intermediation through the International Bank for Reconstruction and Development remains the group's major business. It differs from commercial banks in three ways: first, the assurance provided to its bond holders by the capital that is callable from member governments; second, the "gift" represented by its paid-in capital, on which it does not have to pay a dividend to its shareholders; and, third, its preferred creditor status with its borrowers, which leads to few arrears on its loans. These features have given its bonds triple-A rating.

Before the opening of the global capital markets to the developing countries in the 1970s, these IBRD loans at near commercial interest rates would have been justified on grounds of global efficiency. But with more countries able to gain access to world capital markets, is there a financial intermediation role left for the Bank, whose loans, though cheaper than from private sources, come with "conditionality"? This cost could encourage borrowers with alternatives to reduce their demand for IBRD loans, leaving it mainly with "lemons".

The debt crisis demonstrated that it is the willingness, rather than ability, of borrowers to pay which determines sovereign risk. The positive net cash flow historically associated with Bank lending has reinforced the willingness of borrowing governments to meet their debt service obligations to the Bank. This growth in net lending can only occur with a continued growth in the Bank's capital. If it were to cease growing – a political decision – its intermediation operations might be shown to have been a vast Ponzi scheme.

With a deterioration of borrowers' expectations of future lending, arrears could accumulate. This might worsen the rating of Bank bonds, leading to a rise in the interest rate on its loans, making them even less attractive for the good borrowers. The only way to avoid this is to keep good borrowers by giving up conditionality. The bank would then be a true merchant bank, which, because of its unique advantages and reputation, can raise money more cheaply for its borrowing governments than they could.It would also have to be concerned like any other bank by the quality of its borrowers. Its advantage over commercial rivals would be the implicit subsidy and insurance elements provided by its intergovernmental owners.

The Bank's role as a financial intermediary has been clouded over the years by its role as a foreign aid agency through its soft loan window (International Development Association). Foreign aid remains a contentious and highly politicised issue. It is debateable whether the Bank has been wise (since Robert McNamara's tenure) to identify its mission so closely with the business of aid, rather than with the less contentious and more viable business of international financial intermediation. A radical departure in this area is required.

The Bank's objectives in providing foreign aid have changed over the years; the most recent is to alleviate poverty and the public financing of the merit goods (education and health). These social policy concerns are necessarily more contentious than the technical engineering and economic issues that have been the Bank's bread-and-butter in the past. Moreover, whereas more general principles govern the latter, the design of effective social policy is determined much more by local circumstances, culture and politics. A multilateral bureaucracy is unlikely to have a comparative advantage in their design or implementation.

Private charities (national or international) with grass roots organisations can both identify potential beneficiaries, and target and monitor benefits to them much better than governments. For the heterogeneity of these beneficiaries makes it difficult to lay down simple bureaucratic guidelines for the targeted benefits that are required. The alternative of a universalisation of benefits (as in western welfare states) is fiscally ruinous and less efficacious, because the middle classes always benefit most from universalised benefits.

A radical solution would be for the Bank to consider transferring its IDA funding to audited national and international charities. As a spur to private charity, such IDA transfers to these charities could be made on a matching basis.

As regards the role of the Bank in providing technical assistance, credit ratings, and development research: since the last two are public goods, their subsidisation through Bank profits would be justified. Technical assistance provided could be charged for, as by private consultants, with Bank profits being paid as explicit subsidies to poorer countries, to purchase Bank consultancy services in competition with their commercial rivals.

This package of reforms could provide the Bank with a more clear cut and depoliticised mission in the liberal economic world order it has helped to recreate.

The author is James Coleman professor of international development studies at the University of California, Los Angeles, and professor emeritus of political economy, University College, London. Between 1984 and 1987 he was research administrator at the World Bank.

The first article in this series was published on June 21

Joe Rogaly

No, no, no, no way out

It is too easy to deride Mr John Major for his performance at Corfu. The British prime minister found himself in a minority of one out of 12 members of the European Union, just like his predecessor at earlier summits. He handbagged the appointment of Mr Jean-Luc Dehaene to the presidency of the European Commission, precisely as she might have done. It is said, with disdain, that Mr Major's motives were self-serving. Sure they were. Worse, it is claimed that he sought approving headlines in the ever-cheaper Conservative newspapers published by Mr Conrad Black and Mr Rupert Murdoch. Anyone in his position would be tempted to do that, although not all would succumb. It is asserted that his principal aim was the preservation of his leadership of an increasingly Eurosceptical Conservative party. Of course it was.

Yet the prime minister had a defensible diplomatic objective. As we all know, Mr Dehaene was the candidate thrust upon Europe by Mr Helmut Kohl and Mr Francois Mitterrand. The German chancellor and the French president appear to have believed the rest of the EU would come round to their way of thinking, as indeed all but Britain did. If this be so, the veto is not wholly regrettable. Europe is not France and Germany alone. Bonn and Paris lead the continent, but they should not take their predominance for granted.

When Mr Major told the House of Commons yesterday that rejection of Mr Dehaene was a matter of principle he did not mention Mr Kohl or Mr Mitterrand, but we knew what he meant. He had no need to name names. He was telling the world his weakness among his own voters should not lead others to take Britain's compliance for granted. He is not a popular prime minister, but he would be nothing at all if he did not get that message across. He seemed to have his party's support.

Sir Edward Heath was wrong to call the outcome of the Corfu meeting a crisis for Europe. It was not even a disaster, merely a little drama. Mr Dehaene will survive in politics. He still has his job. Europe will move on. Another candidate for the presidency of the Commission will be found. The individual who succeeds will almost certainly not be wedded to the British Conservative party's views on Europe. Take, for example, the Dutch prime minister, Mr Ruud Lubbers. He was highly praised by Mr Major yesterday, and not for the first time. It is reasonable to assume that Britain would support him if others did.

The chances are that Major, pulled ever sceptic-wards, will find himself always accentuating the negative

This is not explicable in simple pro- or anti-Europe terms. It was Mr Lubbers' government that nearly botched the negotiations leading to the Maastricht treaty. The infamous Dutch draft of early autumn 1991 was shamelessly Euro-expansionary in tone. The Commission's powers would have been enhanced even more than they eventually were. The draft had to be scrapped for progress to be made. The Dutch prime minister's thinking has since evolved, but that is another matter. Mr Major's veto of Mr Dehaene cannot be said to have been cast on anti-federal or anti-Brussels grounds while there is a possibility of British support for Mr Lubbers.

Sir Edward was more persuasive when he intimated that a Eurosceptical Britain would be less able to influence the course of events on the continent. Probably, but Mr Major alone is not to blame for this. He is a puppet of history. As soon as he became prime minister he said that his purpose was to place Britain at the heart of Europe. He was highly praised for that noble aspiration. He adopted a distinctly different tone from the then just-fallen Mrs Thatcher. The proximate cause of her ejection from office was a persistently anti-Brussels screech. Mr Major, we all thought, would do better. The Tories were the party of Europe. That is where he would make a positive contribution.

He never had a chance. For half a century English nationalism has tugged Britain backwards when its continental partners have sought to move their ever-closer union forwards. This streak of scepticism runs through all parties, although it is at present in the ascendancy among Conservatives. The prime minister is weak because he has a small majority in the Commons. He might have tried to tough it out, taking a stand on one side or the other, but he has preferred the strategy of the whip he once was. This has given the sceptics their leverage. In consequence there is now a distinct possibility that the issue of how pro- or anti-European the opposing parties are will be deployed by Mr Major in the next British general election, assuming he is still there to do the deploying.

We saw this during the elections to the European Parliament a few weeks ago. The Conservative manifesto, "a strong Britain in a strong Europe" was meant to unite the party. Each wing could read what it chose into the small print. The tone of the campaign was intermittently anti-European. Yet the government tells anyone who will listen it has found a formula to placate all but the extreme Europhobes or Europhiles among the Tories. This was set out in Mr Major's speech about a multi-speed Europe.

The notion was first given public prominence by Mr Douglas Hurd at the Sejm in Warsaw on May 6. "The Europe of Monet and Schuman was right for its time," the foreign secretary said, adding that what was now taking shape was "a multi-speed, multi-track, even multi-faceted Europe". This could mean Britain asking for a stronger arrangement on defence and, as indicated by Mr Major yesterday, anti-drugs policing, but opt-outs elsewhere. "Multi-speed" should play better than "two-speed". That would imply that Britain is in the slow lane.

The multi-speed Europe of Mr Hurd is not in itself negative, or not sold as such. It reflects current reality. It allows new members to take part at their own pace. The trouble with the formula is that it is deficient in positive proposals, lacking in enthusiasm for whatever is happening on the continent. Britain cannot get its own candidate into the Commission presidency. It merely vetoes others. The chances are that Mr Major, pulled ever sceptic-wards, will find himself always accentuating the negative – no to Mr Dehaene, no to rejoining the exchange rate mechanism, no to the single currency, no to the social chapter; "no", as his predecessor famously said, "no, no, no, no." We know what happened to her.

LETTERS TO THE EDITOR

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Case for abolishing banks' floating charge

From Sir Michael Grylls MP

Sir, It is encouraging to read (Letters June 22) that a leading banker – Mr Derek Sach, of the Royal Bank of Scotland – has called for the abolition of the floating charge in the UK. At the time when the Department of Trade and Industry is reviewing existing insolvency legislation, it is important to look at the power which a bank derives from the floating charge and determine if that power is healthy in a modern highly competitive industrial economy.

Not only do the powers of an administrative receiver under a floating charge cause concern and uncertainty to the borrower, but such charges create serious disadvantage for unsecured trade creditors which supply an apparently sound company, while unaware of the current extent of its borrowings and without the level of information about its liquidity which is available to the bank.

It is the floating charge which underpins the capital gearing approach of the banks to small and medium enterprise (SME) lending in the UK, highlighted in the Confederation of British Industry August 1993 report, *Finance for Growth*. Reliance is placed on security rather than information and the income stream indicated by future prospects of the enterprise – an income-gearing approach. This encourages the provision of short-term finance. Without the all-embracing safety net of the floating charge for banks, lending proposals would inevitably be more critically assessed to the benefit of the banks and the businesses concerned. The elimination of the floating charge and the removal of the preference it gives to one creditor whose prime concern is not the continuing viability of the business and the jobs at stake, would create a more robust lending environment in the UK.

There is no reason to believe that UK bankers, given time, would not match the performance of bankers in other industrialised countries, including Germany, Japan and the US, where floating charges are unlawful, in their lending to the unquoted sector. This would surely be to the benefit of Britain's SMEs in the medium to longer term. It would also help redirect the traditional thrust of our corporate insolvency process, moving away from retribution for the debtor and towards his rehabilitation.

Michael Grylls,
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Citizenship in Latvia

From Janis Lusis.

Sir, The article "Held up on the western Line" (June 23) clearly points out many of Latvia's concerns regarding the critical demographic situation in Latvia. However, it incorrectly gives the impression that "almost one half of the population" is presently excluded from Latvian citizenship. In fact, 70 per cent of the residents of Latvia – of many ethnic origins – are presently citizens.

An area of prime contention concerns the fate of a group of about 410,000 persons, of whom an estimated 160,000 are retired Soviet military and KGB personnel and their families. This latter group, by the internationally accepted Geneva Convention on Occupied Territory, should not be "forced upon" Latvia as potential citizens.

The second important aspect concerns the present demographic situation in Latvia (52 per cent ethnic Latvians) and the potential effects of rapid naturalisation of persons who may not be assimilated into the Latvian culture prior to the impending parliamentary elections of October 1995 and October 1998. While the recommendations of the Council of Europe and Conference on Security and Co-operation in Europe have been seriously considered by the government of Latvia, and many were incorporated into the law, the critical demographic situation in Latvia precludes a rapid naturalisation process.

One may ask, would any European country allow such a demographic shift in its citizenry to occur in such a short period of time?

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Graduate market forces already working

From Dr Geraldine Kaye.

Sir, It is well known that all published statistics are well out of date. A further example is evident by your article, "First fall for five years in graduate unemployment" (June 20), which states that unemployment rates were worst for mathematicians (13.4 per cent in 1992-93).

GAAPS is an international search and selection consultancy specialising in actuaries and therefore not in the graduate recruitment market.

Despite this, we have been contacted by a number of insurance companies, which are our clients, asking us as a special favour to find good science graduates who wish to enter the actuarial profession.

We were at first surprised that they had not been able to fill their vacancies themselves on the "milk round". On contacting professors we know (I have an academic background), we found that most of this year's graduates have been found "homes".

Mr William Waldegrave, the public services minister, is worried that employers are not sending the right signals to the jobs market. I am also worried. My concern is that these out of date statistics will put into force government policy that will result in a huge increase in the number of science graduates.

Market forces are already in motion and therefore, instead of creating equilibrium, a surplus may be created.

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Structural aid should have right goals

From Mr Terence Bendixson.

Sir, Perhaps EU structural aid should be granted only when it promises to create local jobs and local industrial investment ("Poverty trap with an exit", June 21).

This might help prevent it being used to create markets for high-tech products from richer EU countries and have other benefits too.

Athens, for instance, did not have to build a high-tech Metro. On transport policy grounds, as was set out in an OECD urban division study to which I contributed, there was a case for mid-technology tramways and trams.

Compared with a Metro, the effects of trams would have been significantly different. As far as jobs and investment go there are grounds for believing that the track and the cars, but not perhaps the drive units or the signalling, could have been made in Greece – under licence if necessary.

Furthermore, for any given budget, a more extensive transit network could have been created more quickly – to the considerable benefit of Athenians. And since the trams would have run down the middle of existing streets on slightly raised paving, or through pedestrianised streets, they could have provided a reliable, congestion-free service and reduced the area of road available to cars.

This might indeed have helped "turn the traffic-clogged and polluted Greek capital into a modern city". If, as your correspondent suggests, a metro is capable of doing this for Athens, it has to be asked why it has not already done it for Milan – or Paris or London. Perhaps structural aid should have more clearly defined environmental as well as employment goals?

Terence Bendixson,
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George Michael case highlights age old tension

From Mr Nigel Miller.

Sir, The George Michael case highlights an age old tension in English law (Lex, June 22). On the one hand, the courts must respect and enforce contracts freely entered into. On the other hand, certain contracts in unreasonable restraint of trade are regarded as contrary to public policy and unenforceable.

Generally, English law does not require that contracts be "fair" or "reasonable". The main exceptions relate to certain categories of exclusion clause and restrictive (or non-compete) covenants.

This is about to change in a significant way. From January 1 1995 the UK must have implemented an EC Directive on unfair contract terms in consumer contracts. This may not help artists in Mr Michael's predicament. However, businesses issuing terms of business to consumers will have to review these carefully to ensure that they are worth more than the paper on which they are often so microscopically printed.

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FINANCIAL TIMES

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Beyond the Corfu thunder

The weekend thunder and lightning on Corfu cast European Union decision-making in a malevolent light. Yet the storm over the choice of the next European Commission president could not totally obscure the progress made at the EU summit in other areas. The responsibility for resolving the impasse over the succession to Mr Jacques Delors now passes to Germany, which takes over the EU presidency from July 1. Time to reach accord before the leaders reconvene in Brussels on July 15 is short, but if the Bonn government *can find the skill to rally support* from all 12 capitals behind an appropriate candidate, the EU could even emerge strengthened from its midsummer *squall*.

For all the chaos over the presidential selection, the EU showed at the weekend that it can maintain momentum on important issues. The summit took a significant step forward on liberalising telecommunications, now widely seen as a key to EU competitiveness in the emerging "information society". Overriding opposition from the EU's telecommunications monopolies, the meeting opened the way to early competition in the supply of infrastructure as well as services, allowing new operators to build their own networks. An Anglo-German initiative to try to weed out obstacles to competitiveness was approved.

The summit also agreed to give *priority to 11 trans-European* transport projects, overcoming differences on financing. The German-sponsored agreement on *involving the European parliament* in the preparations for the 1996 Maastricht review conference was also welcome. On enlargement, the EU now has the outlines of a route map – although nothing resembling a driving schedule – for widening the Union to the north and east.

Clinching agreement

This record of accomplishment will, however, weigh lightly unless the EU finds a suitable personality to lead it through the challenges of the rest of the 1990s. Despite the pressures of the timetable, there are three reasons why the EU can be reasonably confident of clinching agreement on a successor to Mr Delors during the next 2½ weeks.

First, the German government will channel much more diplomatic energy into engineering a deal than that employed by the current holder of the EU presidency, Greece, under its ailing prime minister. The Bonn government is a long way from admitting that it was mistaken in trying to push through with France the candidacy of Mr Jean-Luc Dehaene. But Chancellor Helmut Kohl yesterday gave a welcome signal of flexibility by hinting he would now drop *support* for the Belgian premier.

UK self-restraint

Second, the British government, having had its way on a point of principle and substance, can now show a modicum of self-restraint. There must be no question of Mr John Major employing a second veto. The true test of Mr Major's mettle will be his readiness to engage in a constructive search for a solution – even at the risk of Eurosceptic hostility from his own party – to achieve an agreement on July 15.

Third, even after excluding the candidates courting support at Corfu, there is no shortage of suitable contenders. Mr Renato Ruggiero, the former Italian trade minister, and Mr Uffe Ellemann-Jensen, the former Danish foreign minister, would both command wide support. The apparent elimination of two serving heads of government, Mr Dehaene *and Mr Ruud* Lubbers of the Netherlands, is far from an ill omen. It is worth remembering that of the European *Commission's eight presidents so* far, only one, the unsuccessful Mr Gaston Thorn from Luxembourg, was an ex-prime minister.

At a time of recession and post-cold war upheaval, the EU's failure to reach agreement on its leadership is regrettable, but it is *neither a disaster nor even a surprise*. If the weekend confusion increases EU governments' readiness to correct the shortcomings *of the present selection procedures*, then the debacle may even turn out to have positive consequences. Equally, when they were not squabbling over Mr Delors' succession, EU leaders showed at Corfu they have an agenda to make Europe stronger, more efficient and more cohesive. The next president of the European Commission should make sure they stick to it.

The fog still shrouding Japan

If proof were needed that the realignment of Japan's political system has only just begun, it has been abundantly available in recent days. A popular and capable prime minister has resigned for lack of support in a fractious parliament. Politicians widely reviled for their remoteness from the concerns of ordinary voters conspire in smoke-filled rooms. The country is left leaderless as the yen rises to levels that threaten a sputtering economic recovery.

More embarrassing still, it looks as if this sorry picture will again be on international display in 10 days' time, when Japan fields a lame-duck prime minister at a Group of Seven summit for the second year in a row. What are Tokyo's international partners to make of all this?

At one level, the latest twist in Japanese politics should not be of enormous consequence to the world at large. Japan's western trading partners *have long been* used to dealing with a changing succession of political leaders, while recognising that the real power *lies elsewhere* in the "iron triangle" of government, bureaucracy and business. Even the US administration, with its demands *for deregulation* and market opening, appears to have realised that there is little it can do to advance its agenda while a vacuum persists in Tokyo. In the meantime, the markets maintain their own form of pressure by bidding up the yen against the weakening dollar – itself in part an acknowledgement that no government under current conditions is likely to be able to do much about Japan's trade and current account surpluses.

Impasse

There is a place for concern, however, at the current impasse – and that is in Japan itself. For the fate of Mr Tsutomu Hata, whose government fell last Saturday after just 59 days in office, underlines just how unstable and incapable of action the entire political system has become. The order that governed Japan for decades after world war two – dominated *by the* Liberal Democratic party – has collapsed, but a new order is not yet in sight. Instead, small and scarcely distinguishable political fragments from the old LDP and the traditional opposition, the Social Democrats, manoeuvre ceaselessly before an increasingly disenchanted public, sometimes splitting, sometimes fusing to form short-lived coalitions. It is a process that, left to itself, could continue for months or even years before finally coming to rest in the form of a stable two- or three-party system.

The problem is that Japan cannot afford to continue on political auto-pilot for this long. There are too many pressing issues that, in Japan's own interests, require speedy, effective and consistent government action.

Stymied

Tax reform is one area where action has been frequently promised but stymied by government divisions in recent months. Another is the much-touted and badly-needed plan to deregulate *the economy, which would have* the added advantage of answering one of the US's current concerns. Yet a third is the slow-fuse crisis over North Korea's nuclear weapons programme. This is a matter crucial to Japan's security. Yet right up to last Saturday, Mr Hata was mired in discussions with the Social Democratic party, which was demanding that he water down plans for sanctions against Pyongyang in return for joining his coalition.

The most regrettable feature of the current situation is that it is seriously out of kilter with what the voters *themselves* seem to want. A year ago, they voted out the LDP in favour of a coalition committed to creating a new, more representative *electoral* system. This the government of Mr Morihiro Hosokawa eventually produced: a system that should enable *politicians to be chosen* more on their policies than on their ability to pass favours to constituents.

What Japan needs is elections under that system – which should be possible once new constituency boundaries are in place this autumn. When they come, the clear-out of the old guard on all sides may well accelerate. In the meantime, Japan will probably have to settle for another fragile caretaker government and more muddling through.

A Real test of commitment

Will political imperatives overcome economic reality in Brazil's fight against inflation, asks Angus Foster

Brazil's football stars get the glory, but the nation's housewives are the real heroes. *As well* as coping with an inflation rate of almost 50 per cent a month, on Friday they face the introduction *of Brazil's fifth* new currency since 1986, the Real. Supermarket shelves are covered in a confusing array of old and new prices beside signs announcing that certain products have been withdrawn by the stores because suppliers have tried to force up prices *ahead of the currency switch*.

The Real is the final step in a programme the government launched last December in an *attempt to catch up with other* Latin American countries which have successfully tackled high inflation. The programme was originally welcomed by economists since it addressed the perceived causes of Brazil's inflation – most importantly, it set balancing the government's budget as a high priority.

The plan's weakness is political. In October, Brazil holds presidential and congressional elections, encouraging politicians to push for more spending rather than a balanced budget. Moreover, its main helmsman, Mr Fernando Henrique Cardoso, resigned as finance minister *in March to run for president. That* has left the initiatives open to criticism that they are designed to engineer a steep, but temporary, fall in inflation before the elections.

Mr Cardoso's advisers admit he has little chance of catching the front runner, the left-winger Mr Luiz Inácio Lula da Silva, unless inflation falls sharply. Although most observers think inflation will drop, there are doubts about how long it will stay low – and also about Mr Cardoso's chances of closing the gap with his rival. "There may not be enough time left for people to realise the Real's advantages and that their increased purchasing power [caused by lower inflation] will last," according to Mr Alexandre Barros, a political con*sultant*.

Mr Cardoso and the government hope two features of the new currency will help curb inflation. First, *it will be set at parity to the US* dollar for an "undetermined" time, probably until the elections. The Real's value will be defended using *Brazil's accumulated reserves of* nearly \$40bn. Second, the central bank will set tough limits on money supply until the end of March 1995. In the past, the government has resorted to printing money to pay its debts, thereby fuelling inflation.

"The exchange rate anchor brings inflation down fast, and then the monetary anchor starts operating through strict rules on expanding the monetary base," according to Mr Winston Fritsch, Brazil's economic policy secretary.

The government has also recalculated public sector wages and most contracts into the new currency before its introduction, so any inflationary impact should be absorbed *before the Real comes into circulation*. This should further reduce price pressures, and most economists expect inflation to drop to 3-4 per cent a month by August.

Brazil's anti-inflation programmes have led to sharp falls in inflation before. But each time, prices have started to accelerate because of flaws in the plans or through political pressures. This time the main worry is that the government, lacking support in Congress ahead of the elections, has had to compromise parts of the programme to make its implementation more *feasible*.

It has adopted a temporary link with the dollar, instead of a permanent tie as used in Argentina's successful price *stabilisation* initiative in 1991. Nor has the government removed exchange controls to allow full convertibility of the Real. "Convertibility is not an attribute you can impose on a weak economy. We would like to move more carefully," says Mr Pedro Malan, president of the central bank.

One reason why the government may have decided to retain exchange controls is that it fears the continuing popularity of Mr da Silva may persuade many Brazilians, who are worried about his radical policies in areas such as land reform, to switch their Reals into dollars, thus undermining the new currency.

Another area in which the government risks compromising its anti-inflation programme is in its *control of the money supply. There* is growing pressure for increases in the minimum wage and military pay, which would threaten this *year's forecast balanced budget*. Further ahead, observers believe inflation will not be beaten without constitutional changes to reduce the government's spending obligations, particularly on welfare. An attempt to make the necessary constitutional amendments failed in Congress earlier this year.

The chief political worry is that the plan's fortunes are too closely linked to those of Mr Cardoso. Mr Fritsch talks of a "virtuous circle": if the Real works, it lifts Mr Cardoso's chances of becoming president and maintaining the anti-inflation fight next year, along with other economic reforms such as privatisation. "But if the programme is *not seen as a success, that affects* inflation and the opinion polls. In that scenario, we hope we can muddle through," he says.

Opinion polls suggest Mr Cardoso has the support of about 20 per cent of voters compared with 40 per cent for Mr da Silva. This big difference is slightly misleading. Under Brazilian election rules, unless one candidate wins more votes than all the others combined, the presidential contest will go *into a second round* in November, between the two candidates with the highest number of votes. At this stage, Mr da Silva looks unlikely to win outright in the first round.

In a second contest, Mr Cardoso *could provide a strong challenge*, especially since voters will have had longer to benefit from the Real. If inflation stays low, those Brazil*ians who are not protected against* inflation – mainly the poor – could see a considerable improvement in their living standards. Salaries, currently *undermined* by a *daily inflation* rate of 1.9 per cent, would retain their purchasing power through the month.

Possibly Mr Cardoso's greatest difficulty in his presidential campaign is cynicism among voters, who have seen many previous anti-inflation attempts fail. "It's very hard to deal with this legacy of failed attempts. It's like the eighth marriage of Liz Taylor – if the others have foundered, why should this one succeed?" asks Mr Malan.

An opinion poll earlier this month found that more than half those questioned would not change their voting intentions if inflation fell sharply following the Real's introduction. The findings worried Mr Cardoso's advisers, who suspect that some poorly educated voters will not realise the part he has played in introducing the new currency.

But it is more likely that Brazil's electorate, with memories of the downfall of the now disgraced former president Mr Fernando Collor amid corruption charges, is no longer as easily fooled by campaign *promises. Opinion polls suggest Mr* da Silva, who narrowly lost to Mr Collor in 1989, is gaining support because he is a prominent national figure. In contrast, Mr Cardoso, a former academic, is not well known outside political circles and may appear as yet another newcomer making breakable promises.

Mr da Silva's position on the Real is ambiguous. When the programme was announced, he and his Workers Party (PT) were critical, pointing out that inflation had nearly doubled during Mr Cardoso's 11 months in office to almost 35 per cent a month. Recently, the PT has stopped its attacks and is waiting to see how well the new currency works.

But as the elections approach, Mr da Silva will have to decide whether to support the anti-inflation fight and the new currency, even though it is the main plank of his opponent's platform.

If he decides against backing the programme, Mr da Silva could perhaps announce that his incoming government will scrap parity with the US dollar or pledge to raise the minimum wage. Assuming Mr da Silva retains his opinion poll lead, such an announcement would put pressure on exchange and interest rates, as markets reacted to the prospect of higher government *borrowing*.

Mr Eduardo Gianetti da Fonseca, a Sao Paulo-based economist, suspects Mr da Silva will remain on a moderate path. "*If he continues to* show a commitment to compromise there won't be *panicking* on a grand scale. But if he radicalises, then *anything* is possible," he says.

Given the political uncertainty few believe an end to inflation is yet in sight in Brazil. The Real's *achievements may lie in keeping* the economy free of hyper-inflation until the elections – possibly allowing for a fresh price control offensive by the next *government*. Brazil's housewives might be learning to use another currency by the time the next World Cup comes around.

The future is an each-way bet at east Germany's largest race track, says Judy Dempsey

Dark days at the races

If only the Marx Brothers had immortalised Hoppegarten, east Germany's largest race course, its fame might have guaranteed its future. Instead, the legacy of Karl Marx is causing headaches for the managers of this old-fashioned site, redolent of a grander age and less than a 30-minute train ride east of Berlin.

The race course, which boasts a hurdles, flat and steeplechase track, as well as stables for 450 horses spread over 1,100 acres is trying to find a new lease of life in a unified Germany. As it shakes off its communist past, it is also trying to regain the glory it enjoyed when it was set up in 1866.

Like most former state-owned properties, Hoppegarten was placed under the Treuhand, the agency charged with privatising east Germany's factories and shops, land, forests and sports facilities, after unification in 1990. Mr Artur Boehlke, Hoppegarten's 56-year-old manager, is determined that the agency will not sell the race track for industrial development.

"We have lost much time since the course was placed under communist control back in the early 1950s," he said, sitting in an office decked with photographs of horses, race meetings and celebrities. "The managers and Treuhand are now trying to revive the course's pre-war reputation."

Until the second world war, Hoppegarten and its race horses had been honoured by visits from Crown Prince Wilhelm of Prussia, the Aga Khan and others. The meetings were important social events backed by money from the Union Club, a select group of aristocrats which owned vast tracts of land stretching across Prussia, and which bought the course in 1874. This state of affairs persisted until the east German communists were installed in power in 1949.

"Racing was no longer exciting under the communists," said Mr Boehlke. "There was no chance for private stables or trainers. The state ran everything, including Hoppegarten.

"I well remember those days," he added. "Of course, the races continued to be held. But the international meetings, such as they were, only involved the other socialist countries. There was one international meeting a year. The Russians usually won. Somehow, their horses were faster than ours . . ."

There was little scope for betting. "You chose a horse, handed in a ticket and waited ages to get your money if you happened to win," Mr Boehlke said.

After German unification in 1990, east and west Berliners started returning to Hoppegarten to attend its 18 annual meetings. By late that year, the course had been placed under the Treuhand, which is still looking for an owner. The agency has subsidised the course by about DM1.2m (£480,000) a year since then, but the track still has annual losses of DM500,000 to DM1m.

The Union Club has tried unsuccessfully to get its property back from the government. As the former owner of land expropriated by the Soviet authorities, which governed east Germany between 1945 and 1949, it has no legal right either to restitution or compensation.

The club, which has about 200 members, consists of bankers and prominent sportsmen as well as landowners. Many members believe that even if they cannot buy the race course outright from the Treuhand, they will be able to obtain a long lease on it.

Mr Evert Von Ungern zu Sternberg, 72, a prominent member of the Union Club, reckons it will be successful. "If we cannot reclaim the Hoppegarten, we told the Treuhand that we are prepared to lease it, to invest DM30m over the next 10 years, and build another 450 stables."

Mr Von Ungern zu Sternberg, who was born in Estonia, fought on Germany's side during the second world war, moved to south America after 1945, and settled back in Germany after 1972, says the race course could be an instrument through which the club could regain its once-elevated status in a united Germany.

The future of the course could be decided this week when the Treuhand meets representatives from the state of Brandenburg, where Hoppegarten is located. They could set up a Stiftung, or foundation, which could become the new owner of the course. The Stiftung would then lease the course to the Union Club. "This solution means that the Hoppegarten will remain as a race course. But the Treuhand is insisting that the Union Club must make those investments, and find ways to get back into the black," said Mr Wolfgang Horstmann, the Treuhand's director responsible for privatising land in east Germany.

Mr Boehlke is looking forward to the time when the Hoppegarten's future will be more secure. "Once we really get off the ground, we'll put the other race courses in west Germany to shame, and we'll be great once again. A day at the races will really mean something." Now that is a finale the Marx Brothers would have really enjoyed. . . .

OBSERVER

Another Bath for Patten?

■ The spectre of another election defeat has returned to haunt Chris Patten, Hong Kong's governor who, as Tory party chairman, oversaw the Conservatives' fourth general election victory in 1992 only to lose his own seat, Bath, in the process.

Tomorrow, Patten's plans for the development of democracy in Hong Kong come before the colony's Legislative Council. There he faces concerted opposition from the Liberal party, a grouping of mainly appointed conservative *politicians, who want to water* down his plans in a way they hope China will like. A special adviser is helping them with electioneering *techniques and on how to organise* themselves as a "campaigning organisation".

But what Patten doesn't know *is that that adviser is none other* than Marian Elsden, a former chair of western counties' Liberal Democrats. In the run-up to the *1992 election, she was intimately* involved in devising the campaign which ruined Patten's chances of taking higher office in the UK.

Wrong track

■ Whatever one thinks about the wisdom of Railtrack's dispute with the country's signalmen, the presentation of its case has been pretty abysmal. What has been on offer seems to have been chopped and changed at short notice and Railtrack's explanation of its position has been mind-bogglingly complex.

It's all the more surprising because Railtrack chairman Bob Horton can be a pretty forceful communicator himself and had even hired a former Labour party spin-doctor, Lesley Smith, to be his head of government and public affairs. If anyone knew how to defuse the opposition, it should have been a professional like Smith. Indeed, one wonders whether her heart is really in the job.

'I'm prepared to haggle'

Flight scheduling

■ How times change. There was *a time when Britain's company* chairmen and politicians timed their fact-finding missions to South Africa to escape Britain's winter. *However, Board of Trade president* Michael Heseltine has chosen to forego the delights of Britain's summer season and spend the week *after next in South Africa*.

Westminster-watchers believe that this could mean one of two things. Either the long-rumoured *cabinet reshuffle won't take place* during that week or the Prezza has persuaded his boss not to make him take over Sir Norman Fowler's *glorified* pr job as Conservative party chairman.

They could be right on both scores. After John Major's strong *showing yesterday*, Observer's bet is that the reshuffle will be delayed until just before the House of Commons breaks up for its summer hols.

Foot in it

■ One World Cup spin-off sales promotion which is unlikely to be repeated is Heineken's competition *to collect bottle tops of its* Amstel beer.

The idea was that beer drinkers who collected bottle-tops carrying the *flags of all 24 football* participants won a book on the World Cup. Unfortunately, one of the contestants was that well known country of teetotallers – Saudi Arabia.

Popping the Saudi flag on top of a bottle of beer might not damage Heineken's Middle Eastern beer sales but it caused such a diplomatic stir that Heineken was summoned to the Saudi embassy in The Hague, and forced to take out ads in two Dutch newspapers, apologising for the insult. Indeed, it seemed at one stage that the company might even have to recall several million bottles of the offending ale.

Votes for women

■ *First Zulema, now Susana; this* new wave of democracy in Latin America has clearly taken firm hold. Zulema Menem, whose *estrangement* from husband Carlos – Argentina's president – has gripped Buenos Aires' media for years, might be advised to join forces with Peru's first lady, Susana Higuchi.

La Higuchi has criticised her husband, president Alberto Fujimori, for having an authoritarian manner and neglecting Peru's poor. She gives him high marks for tackling two big problems – terrorism and inflation – but says he accentuates the positive while she sees "millions of people living in absolute misery".

Both Menem and Fujimori are likely to stand for re-election in 1995. Never mind trade agreements – Zulema and Susana should be getting on the phone to Hillary Clinton to evolve a co-ordinated pan-American plan to lay siege to various presidencies.

Military tactics

■ Star of the show at Nigeria's constitutional conference just opened in Abuja was former transport minister Umaru Dikko on his return from exile. The last time he made such a splash was a decade ago when the Nigerians attempted to smuggle *him* back from Britain after Nigeria's ruling generals had accused him of stealing public money.

He had been kidnapped and was en route to his country of origin when British Customs uncovered the plot. "I want to thank the government and people of Britain for everything they did for me," Dikko said yesterday. Not surprising, really; they saved him from a crate worse than death.

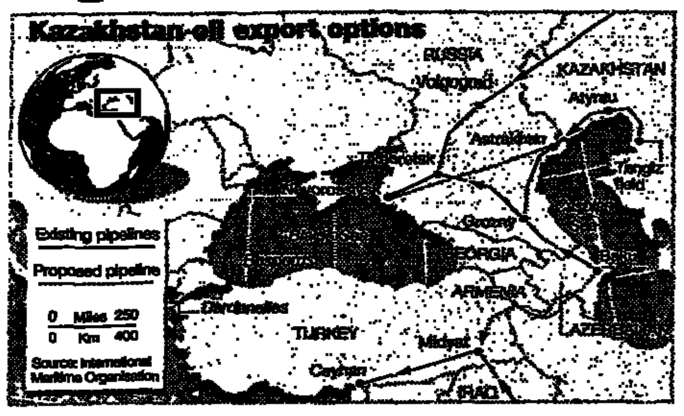
Grave turn

■ As the Republic of Ireland prepares itself for tonight's big match against Norway, Observer hears that the pre-match celebrations have extended to Glasnevin – the country's largest graveyard. Irish flags and bunting have *started to appear* on the gravestones. One hesitates to think what might emerge if Ireland gets through to the final.

FINANCIAL TIMES
Tuesday June 28 1994

Kazakhs accuse Moscow of stopping oil exports

By Steve LeVine in Tashkent



Kazakhstan accused Russia yesterday of cutting off most of the republic's oil exports, all but paralysing its most lucrative industry.

Kazakhstan's leaders have recently been subjected to strong political and economic pressure from Russia, which has demanded an equity share in Kazakhstan's giant Karachaganak natural gas field and is also said to be seeking a stake in the rich Tengiz oilfield in western Kazakhstan.

The country exports some 17m tonnes of oil a year, of which around 6m tonnes go to countries outside the Commonwealth of Independent States. The two export pipelines to the Black Sea both cross Russian territory and are under Russia's control.

Any cut-off could be part of the pressure by which Moscow has been gradually choking off Kazakhstan's natural gas and oil flow.

Mr Ravil Shardabayev, Kazakhstan's oil minister, said in a telephone interview that Russia had severed the republic's oil exports although Chevron of the US, which possesses rights to develop the Tengiz oilfield, "is continuing to export its oil in a limited amount".

Russia's energy ministry in Moscow yesterday would not confirm Kazakh claims that the flow of oil through the larger of the two pipelines had been halted, but Russia has long complained that it could export more of its own oil through the pipelines if they were not carrying the products of others.

In an interview published this month in the Petroleum Argus newsletter, Mr Yuri Shafrannik, Russian energy minister, said Russia was losing $300m a year by transporting oil from Kazakhstan and other central Asian and Caucasian republics.

He added: "There are joint ventures on the territory of Russia with western partners which have surrendered the right to transport oil because we are acting for Kazakhstan's western partners."

Mr Shardabayev said yesterday that Russia had begun cutting supplies at the beginning of last month. Mr Bulat Yeleymanov, director of Kazakhstan's state oil company, told the local newspaper Panorama: "There is oil, but no possibility to sell it." The republic's own internal refinery system has ground to a halt.

Recent actions by Moscow have brought into question the ability of western energy companies to negotiate legitimate contracts with the Caspian Sea region's republics, particularly Azerbaijan and Kazakhstan.

Moscow this year issued a diplomatic letter to Britain in which it demanded veto rights over any resource development project on the Caspian, claiming that without its approval any deal was illegal.

The demand appeared to jeopardise western oil deals both in Kazakhstan and Azerbaijan.

Price of coffee soars 40% as frost hits Brazil

By Alison Maitland in London

Coffee futures prices soared by nearly 40 per cent to a 7½-year high in London yesterday following reports that frost and cold winds had damaged about a quarter of the coffee trees in Brazil, the world's largest producer.

Manufacturers warned that consumers faced further price rises in the autumn if the surge in the coffee market, up 140 per cent so far this year, continued.

"This current situation of prices going up and up and up cannot prevail for ever without us having to consider when we pass that on to the consumer," said Mr Mick Casey, a spokesman for Nestlé.

The price of Nescafé, which has 40 per cent of the UK instant coffee market, rose 12½ per cent in January, its first increase in four years, but consumption was not affected, Mr Casey said. "The price of green beans takes four to five months to filter through to supermarket prices," he added.

The weekend frost damage in Brazil, coupled with forecasts of more to come, sent London robusta futures prices into one of their biggest single-day rises. The contract for coffee for delivery in September rose to a peak of $3,150 a tonne, up 39.7 per cent on Friday's close.

The cold snap, which comes at the start of a six-week period when Brazilian crops are vulnerable to frost, gave fresh impetus to a bullish market. Prices have been lifted from last year's low of about $800 a tonne by a producers' agreement to withhold exports, which has coincided with a shortage of world coffee supplies and falling consumer stocks.

Yesterday's gains were trimmed by profit-taking, but the contract still ended $593 higher at $2,848 a tonne. The surge was mirrored in arabica coffee futures in New York, where the September contract was up 34.4 cents a pound at 162.50 cents a pound in afternoon trading.

"If the reports of damage are as people are saying, this is only the start of it," said Ms Judith Ganes, soft commodities analyst with Merrill Lynch in New York. "It looks as if we are in for another period of record high coffee prices, based on the initial reports."

Most of the frost damage was in Brazil's southern state of Parana, where up to 70 per cent of coffee trees were affected. But the frost may also have affected 80 per cent of the trees in the south of Minas Gerais, the main coffee-producing state.

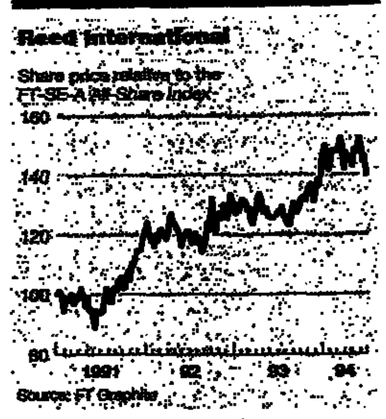
Next year's crop will be worst affected but the quality of this year's harvest could also suffer.

Chilling memories, Page 26

THE LEX COLUMN

Reshuffle at Reed

FT-SE Index: 2899.9 (+23.3)



It was perhaps a backhanded compliment to the transformation that Mr Peter Davis has wrought at Reed International over the past eight years that the market reacted with such equanimity to his departure. Had Mr Davis quit in similar circumstances while Reed was still a sprawling conglomerate, then the company's shares would have been devastated. But such is the presumed solidity of the merged Reed Elsevier publishing empire, which Mr Davis was so instrumental in creating, that the market barely blinked. As the initial shock wore off, Reed's shares recovered sharply.

Reassurances that there was nothing awry at the trading level clearly helped. Besides, the company is in a strong financial position. Shareholders can draw comfort from the collective leadership which is in place at Reed Elsevier. There is little reason to believe that the board will go wild on the acquisition front as it sizes up Ziff and Mead.

That said, the loss of Mr Davis is undoubtedly a blow. It had seemed that Reed Elsevier was doing well in avoiding the political pitfalls that have bedevilled so many international mergers. The differences at Reed may indeed have been personal rather than cultural. Mr Davis was certainly not famed for sitting on his hands. But it is a pity that Reed's complement of heavyweight non-executive directors could not have helped defuse such tensions. Shareholders may yet regret the departure of an executive with strategic vision given the speed of change in the media world and the need for bold thinking.

Wall Street

The US equity market started the new week in much better mood than it finished the old. Yesterday's rally must still be taken with a pinch of salt, though. The prospect of strong earnings growth and continued inflows from mutual funds – albeit at a markedly slower rate than last year – have lent the market support this year despite tighter money at the Federal Reserve. The dollar's weakness could yet undermine both props, leaving Wall Street prey to the kind of liquidity crunch which has affected other markets since February.

While some of the heat was off the currency yesterday, it is vulnerable to speculative attack as long as intervention is not backed up by moves in interest rates. The snag is that higher rates could slow the recovery to the point where earnings growth is threatened. A trailing multiple of around 20 times leaves little room for disappointment on that score – witness the sharp reaction to the recent crop of profits warnings, particularly in the technology sector. Equities could see some sharp falls if mutual fund investors then actually started selling.

The more difficult question is how far other equity markets are at risk. A slide on Wall Street could prove the catalyst for serious selling elsewhere. But other equity markets have mostly been reacting to movements in bonds. The chances are that a rise in short term US rates large enough to stabilise the dollar would prove a tonic for the bond market because it would also calm inflation fears. Even after last week's slide, the Dow Jones Industrial Average has fallen by a little under 3 per cent this year, significantly less than the main European equity markets. It has some catching up to do.

UK electricity

All the regional electricity companies now have a clear idea of what Mr Stephen Littlechild, the industry regulator, has in mind for the forthcoming review of distribution prices. It is therefore difficult to interpret Norweb's continued assertion that it can deliver 6-8 per cent real dividend growth through to the end of the decade. The obvious conclusion is that the regulatory line has softened since the spring, when most profits forecasts were scaled back.

It would be rash to push this argument too far. By promising that one-fifth of its earnings will come from unregulated business by the end of the decade, Norweb has shown touching faith in its ability to make money in areas such as retailing. Neither has the company said how fast dividend cover will be run down to keep the pay-out racing ahead. Seeboard was notably less gung-ho about the prospects yesterday.

Even allowing for healthy scepticism about the prospects outside the regulated business, though, most Recs look well placed to cope with tougher price controls. Seeboard has promised to cut 250 jobs a year for the next three years, even though it is among the most efficient in the sector. The scope for cost savings at the least efficient companies can only be guessed at. A one-off 20 per cent cut in distribution prices of the type mooted in April would still hurt. But having underperformed a falling stock market by almost 10 per cent since then, the bad news may now be in the price.

Airtours

It would be tempting to argue that Airtours deserves a premium rating. The tour operator boasts an impressive trading history, with its chairman, Mr David Crossland, showing a commendable obsession with delivering on seemingly extravagant promises. There still seems plenty of growth to go for in the travel business, with Airtours' latest expansion into Scandinavia holding out promise. Moreover, Airtours has been among the best-performing stocks of recent times; its market value has leapt from £18m to £555m in less than four years.

Yet, by themselves, Airtours' interim results do little to bolster the case for such a rerating. The inherent seasonality of the travel business and the flurry of recent acquisitions complicate the task of making any meaningful assessment of the company's financial health at the halfway stage.

Everything must be taken on trust. Even then, it must always be doubted whether the earnings stream produced by a tour operator should be rated as highly as those on offer elsewhere. Airtours may have done a good job in countering the inherent volatility of the holiday business. It is also persuasive in suggesting that the perennial fears of price wars are much overdone. But that cannot be guaranteed with Owners Abroad remaining an industry wild card. The last resort of a struggling holiday company is price.

Fresh soap war claims

Continued from Page 1

Derek Prentice, criticised Unilever's failure to distinguish between its new "rebalanced" version of the powder and the original version. Unilever said there was no reason to make a distinction as it stood by the original product.

In Switzerland, the new version carries a recommendation that it should not be used on dark colours or lightly soiled clothes. According to Procter, it also contains only 10 per cent as much of the allegedly damaging manganese catalyst, though Unilever yesterday denied the reduction was so large.

Mr Prentice said: "We are told that the modification coming into this country is identical to the Swiss formulation. It is not separately identified. Consumers have an absolute right to be shown the difference, so that they can make the choice."

Unilever executives in London reaffirmed their commitment to the new powder, which they said had enabled them to overtake Procter in the UK detergents market in the space of six weeks from launch.

Mr Andrew Seth, chief executive of UK detergents, said the new catalyst would be introduced into other Unilever detergent brands, such as Surf and Radion, in a matter of weeks.

Close result in German state poll

By Judy Dempsey in Berlin and Quentin Peel in Bonn

Both Chancellor Helmut Kohl's Christian Democrats and the opposition Social Democrats claimed a moral victory yesterday in the state elections in east Germany's Saxony-Anhalt, and demanded the right to lead the next government.

Only one seat separated the two leading parties, with 37 seats for the CDU and 36 seats for the SPD, after the final results were announced.

In the event, they may be condemned to govern together, thanks to the 21 seats gained by the Party of Democratic Socialism, the reformed former Communist party, with which neither will countenance any form of coalition.

Mr Kohl said the results were a good omen for his party and his ruling coalition in the general elections on October 16.

The biggest losers in the state elections, the latest in Germany's 19-poll election marathon this year, were the minority Free Democrats, the junior partner in coalition with the CDU in both Bonn and Magdeburg, the state capital. They received only 3.6 per cent, 9.9 points less than in 1990, and therefore fell below the 5 per cent threshold needed to enter the parliament.

Final results, with a turnout of 54.9 per cent, gave the CDU 34.4 per cent of the vote, 4.5 points less than the 1990 state elections, while the SPD gained 34 per cent, up 8 points.

Mr Christoph Bergner, the CDU prime minister of Saxony-Anhalt, declared himself in favour of a grand coalition, claiming the right to lead it as the head of the largest group.

However, Mr Günther Verheugen, secretary-general of the SPD, said the result was a clear defeat for the ruling coalition, and his party would consider forming a minority government. The Bündnis 90/Greens party, with five seats, or 5.1 per cent of the vote, down 0.2 points from 1990, said it would do "everything possible" to support Mr Reinhard Höppner, the SPD's leading candidate, in forming the next government.

A minority SPD/Green government, having a total of 41 of the 99 seats, would have to depend on either the CDU or the PDS.

The embarrassment for both Mr Kohl and the SPD is the continuing strong showing of the PDS. If the party wins seats in the Bonn parliament in October, it could force them into a grand coalition at national level, as well as in state parliaments such as Saxony-Anhalt.

FT WEATHER GUIDE

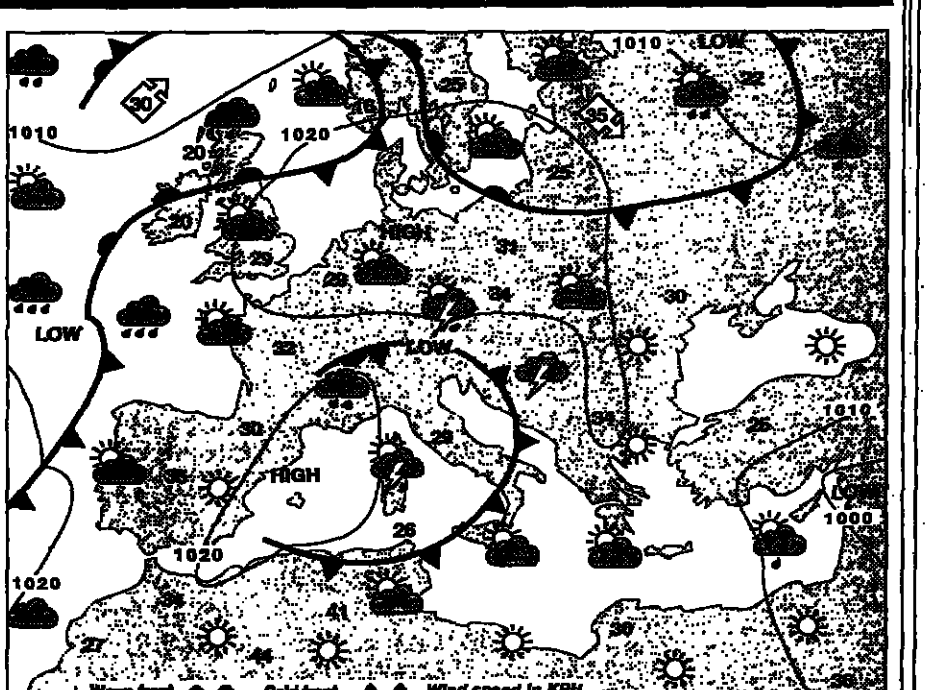
Europe today

Many areas of Europe will have tropical conditions. Exceptionally high temperatures, approaching 35C, are expected over central Europe.

The Low Countries and the British Isles will be warm, humid, and cloudy, and Scotland will have overcast skies. Spain will be hot and sunny. Thunderstorms will form over the Alps, northern Italy, and the Balkan states, especially in the afternoon and evening. Southern Italy will be mostly sunny and dry. Norway will be damp with plenty of cloud and outbreaks of rain. Sweden and Finland will have sunny periods with occasional showers. Afternoon temperatures will top 20C in the southern regions.

Five-day forecast

Europe will remain warm to hot in the coming days. On Wednesday, cooler air from the Atlantic will flow east, causing thunder storms over the continent. Some of these may be heavy. Rain will progress into northern Europe from the west. Norway will have the most rainfall, while Sweden and Finland will have temperatures of more than 20C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	33	Caracas	fair	28	Faro	sun	30	Madrid	sun	35	Rangoon	shower	30
	Celsius		Belfast	cloudy	21	Cardiff	fair	23	Frankfurt	fair	34	Majorca	fair	28	Reykjavik	cloudy	14
Abu Dhabi	sun	40	Belgrade	fair	34	Casablanca	sun	27	Geneva	thund	29	Malta	fair	30	Rio	fair	20
Accra	fair	31	Berlin	fair	30	Chicago	thund	27	Gibraltar	sun	28	Manchester	fair	24	Rome	fair	29
Algiers	sun	29	Bermuda	fair	31	Cologne	thund	33	Glasgow	fair	21	Manila	shower	32	S. Frsco	fair	28
Amsterdam	fair	29	Bogota	cloudy	20	Dakar	fair	29	Hamburg	sun	27	Melbourne	fair	13	Seoul	fair	29
Athens	sun	33	Bombay	cloudy	31	Dallas	sun	39	Helsinki	fair	22	Mexico City	fair	18	Singapore	shower	30
Atlanta	thund	33	Brussels	sun	30	Delhi	cloudy	33	Hong Kong	shower	30	Miami	fair	34	Stockholm	fair	25
B. Aires	fair	15	Budapest	fair	34	Dubai	sun	41	Honolulu	fair	31	Milan	shower	29	Strasbourg	thund	33
B.ham	fair	26	C.hagen	sun	24	Dublin	cloudy	20	Istanbul	sun	28	Montreal	shower	23	Sydney	fair	17
Bangkok	fair	34	Cairo	sun	35	Dubrovnik	fair	29	Jakarta	fair	32	Moscow	fair	21	Tangier	sun	32
Barcelona	sun	27	Cape Town	cloudy	15	Edinburgh	fair	19	Jersey	fair	22	Munich	thund	33	Tel Aviv	sun	31
									Karachi	cloudy	33	Nairobi	fair	26	Tokyo	cloudy	25
									Kuwait	sun	43	Naples	fair	30	Toronto	shower	23
									L. Angeles	thund	31	Nassau	fair	33	Vancouver	fair	21
									Las Palmas	fair	25	New York	shower	28	Venice	shower	30
									Lima	cloudy	17	Nice	shower	27	Vienna	fair	33
									Lisbon	sun	29	Nicosia	sun	34	Warsaw	sun	30
									London	fair	28	Oslo	fair	24	Washington	fair	31
									Lux.bourg	thund	32	Paris	fair	31	Wellington	fair	12
									Lyon	thund	31	Perth	shower	18	Winnipeg	fair	22
									Madeira	fair	24	Prague	fair	33	Zurich	thund	29

FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday June 28 1994

IN BRIEF

Italian merger moves ahead

Shareholders at Fiat subsidiary Cogefar-Impresit approved the first stage of a planned three-way merger that will create Italy's largest construction group. And the company has been pronounced clean of Italy's bribes scandal by its chairman and chief executive, both of whom are to stand down. Page 20

Cable & Wireless plans US expansion
Cable & Wireless is looking to boost its US subsidiary, CWI, and is in talks with US telecoms companies with a view to an alliance. The group is targeting small and medium-sized trans-national companies, according to its chairman Lord Young. Page 20

Mexican offerings test market
Three Mexican companies will test investors' receptiveness to their country, when they offer a total of more than $600m in equity on international markets this week. The issues will be watched closely by other Mexican companies anxious to raise money. Page 21

Bridge Oil stakes raised
Stakes in the battle for Bridge Oil have been raised again, with Parker & Parsley now offering 90 cents a share – valuing Bridge Oil at A$378m – and holding almost one-fifth of its target's shares. Page 22

Japanese banks face rationalisation
A merger between three northern Japanese banks has collapsed, despite pressure from the ministry of finance – which wants to see a radical consolidation of regional banks. But rationalisation is on the cards as the country heads towards full financial deregulation, and further mergers are likely. Page 22

Seeboard posts 17% rise
Seeboard kicked off the UK electricity reporting season by posting 17 per cent rise in profit despite flat turnover. Cost-cutting, including the loss of 900 jobs, was the reason for the growth, and further cost reductions are on the way. Page 24

Norweb turns to unregulated business
Norweb, the UK regional electricity distributor, announced profits of £173m ($262m) and said it expects a fifth of profit to come from unregulated business by 1998. Page 24

Business travel boosts Hogg Robinson
An increase in business travel helped Hogg Robinson, the UK travel agency, take profits to £21.48m ($32.52m), up from £13.31m, with the sale of the group's holiday business to Airtours adding £7m. Page 25

Uncovering money-broking secrets
The impending flotation of UK money-broker Exco is highlighting an industry which largely remains hidden but can provide vast cash flows for companies. It has also seen profits explode despite the recession. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	930	+	20
Falls			
AEG	176	–	4.5
Daimler Bnz	714	–	14.5
Degussa	458	–	12.5
Leifheit	681	–	24
MAN	387	–	11.5
NEW YORK ($)			
Rises			
Caterpillar	102¾	+	1½
Disney	42⅝	+	1⅛
Ford	58¾	+	1⅛
Gen Motors	51⅛	+	1
Lotus Dev	35¾	+	1⅝
Oracle	37¾	+	1¼
PARIS (FFr)			
Rises			
AGF	473.7	+	22.8
Bouygues	595	+	17
Canal Plus	879	+	30
CCF	219.2	+	10.8
Falls			
Essilor	670	–	29
Radiotechn	460	–	26
TOKYO (Yen)			
Rises			
Nippon Road	1150	+	50
Falls			
Asics Corp	470	–	19
Fudo Cons	688	–	21
Fujita Kan	2210	–	120
Hokuriku Bk	705	–	35
Nip Sanso	541	–	29

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
BAT Inds	389	+	17
ICI	785	+	14½
NSM	104	+	8
Seeboard	316	+	11
Telegraph	360	+	28
Trafalgar Hse	88	+	4
United News	498	+	13
Falls			
Airtours	473	–	15
Close Bros	216	–	19
Dixons	179	–	7½
Enviromed	106	–	5
Henderson Admin	850	–	16
Hewetson	69	–	3
Hunters Armley	163	–	6
Hutchison Whamp	260	–	10
Johnston Press	608	–	22
Lister	47	–	5
M & G Group	803	–	13
Sleepy Kids	69	–	12
Tepnel Diagn	111	–	10
Trade Indemnity	83	–	7
Virtuality	177	–	17

Japanese banks return to aircraft leasing market

By Paul Betts, Aerospace Correspondent

Japanese banks are returning to the aircraft leasing market after a two-year absence amid signs of a financial improvement in the international airline industry.

Japanese institutions dominated the aircraft leasing business in the five years to 1991, accounting for more than 50 per cent of all new aircraft financing. Their share collapsed to less than 10 per cent as Japanese banks, hit by a credit squeeze, abandoned the troubled airline market. Their return has led to a drop in financing costs for airlines.

Swissair is believed to have secured a spread of between 50 and 55 basis points above prevailing six-month interest rates on a $120m lease for a new McDonnell Douglas MD11 widebody aircraft, arranged by Sanwa Bank of Japan. It would have probably faced a spread of 60-70 basis points 18 months ago, according to Mr Ian Hosier, head of Sanwa's London transport finance branch.

This reflects increased competition among banks for arranging aircraft tax leases – with tax concessions for investors – for quality airlines, although the spreads have yet to reach the lows of around 25 basis points commanded by top airlines three or four years ago.

The Swissair deal, to be signed next week, is also significant in that the Swiss carrier has traditionally turned to the US aircraft tax lease market but decided to switch to Japan because of the more competitive terms offered by the Japanese bank.

Japanese and US institutions have also been battling over a $220m leasing deal involving two MD11 aircraft for KLM Royal Dutch Airlines. The US banks are understood to have clinched the deal but only after being forced to make additional concessions to improve on a rival Japanese bid.

Other deals include the $550m financing by British Airways between February and April of six Boeing aircraft through the Japanese lease market on spreads of 50-55 basis points.

British Aerospace is also back in the Japanese aircraft leasing market for the first time since 1992. BAe's new aircraft leasing asset management organisation has just completed three leasing transactions with Japanese institutions and is believed to be negotiating up to eight more.

These arrangements cover a 10-year period, reflecting renewed confidence in BAe's finances on the part of the international banking community. Some 18 months ago banks were not prepared to take more than five-year credit exposure on BAe aircraft.

After cutting aircraft lending sharply, Mr Hosier said many banks were finding themselves "underlent" when the airline industry was picking up and had overcome the traumas of bankruptcies, widespread cancellations and deferrals of new aircraft orders, and the troubles of GPA, the Irish leasing company.

Raymond Snoddy on the upheaval in the Reed Elsevier marriage

Mask slips on Anglo-Dutch 'perfect merger'

When two world class publishing groups, Reed International of the UK and Elsevier of the Netherlands, merged last year it looked as if every eventuality had been considered.

Both sides had been looking for the right partner to aid expansion in the increasingly international world of publishing. And everyone said that English and Dutch company law and organisations were so very similar, citing such historic Anglo-Dutch collaborations as Unilever and Royal Dutch Shell.

The two top men – Mr Peter Davis, chairman of Reed International, and Mr Pierre Vinken, chairman of Elsevier – could not have been more different: Mr Davis, the polished public performer, who left school at 17 and became a marketing specialist and senior executive at the UK retailer J Sainsbury; Mr Vinken, the retiring, almost introverted but very clever neurosurgeon turned publisher.

It looked as though the tricky problem of succession – and whether the British or the Dutch would sit on the top of the mountain – would solve itself. Mr Davis was then 51 and Mr Vinken 65. The Reed executive would be chief executive and Mr Vinken would be chairman, and Mr Davis would inherit the chairmanship when Mr Vinken retired two years later.

Yesterday the mask dropped from the face of the perfect Anglo-Dutch merger as Mr Davis resigned. There was no talk of him leaving to spend more time with his family or to pursue other interests. The Reed Elsevier statement gives a true, if rather lifeless, version of the drama. The board had agreed that if Reed and Elsevier were really going to move as one company, there had to be a different structure and a different allocation of responsibilities.

The co-chairmen would in future be responsible for strategy, management development and corporate communications, while two other members of the executive committee would be responsible for the operating businesses. According to yesterday's statement, Mr Davis decided that the proposed allocation of responsibilities "did not enable him to play an effective role suited to his management style".

The initial intention had been to persuade Mr Davis to stay. But by the time an all-night meeting ended at 4.30am on Saturday, terms had been agreed for his departure.

The dispute over the structure partly reflects a conflict between the Anglo-Saxon model of running a company, with a strong chief executive, and the more collegiate Dutch style. The dispute was intensified because Mr Davis was very much a hands-on manager, and because he lost the right to become chairman.

Mr Ian Irvine, who replaces Mr Davis as co-chairman, emphasised yesterday that to take the merger forward it was vital "that everyone is using the same hymn sheet and all singing the same songs".

Mr Irvine suggested that the Davis management style – although he was not happy he had found the right words – was less collaborative, or less collegiate or perhaps less consensual than the other directors'.

Mr Davis said yesterday: "The last thing I wanted to do was damage the company or myself and I was in danger of doing both. I hope my leaving will unblock some blockages and that the business can go forward."

The disputes over structure go back to September when the Dutch pushed for and got an important change. Mr Davis joined Mr Vinken as co-chairman and four joint chief executives replaced Mr Davis as sole chief executive. The British executive considered resigning then, but was persuaded not to.

The Dutch also pressed for the current structural change, which caused some internal controversy. Mr Nigel Stapleton, chief financial officer who now takes on the additional role of deputy chairman of Reed International, was initially sceptical. Mr Irvine and Sir Christopher Lewinton, of the engineering group TI, were convinced of the need for the change to protect the long-term interests of the merged group.

One external observer points to at least one strategic issue dividing the co-chairmen. Mr Vinken, who could not be reached yesterday for comment, is believed to be more sceptical than Mr Davis about the speed at which developments in electronics will transform publishing.

Another issue was Mr Vinken's apparent reluctance to retire according to the original plan. It has, however, been agreed that Mr Vinken will retire as co-chairman of Reed Elsevier in April 1995, to be succeeded by Mr Herman Bruggink who will also take over as chairman of the executive board of Elsevier. Mr Vinken is expected to become chairman of the supervisory board of Elsevier and a non-executive director of Reed Elsevier.

Unions at Reed Elsevier believe the elevation of Mr Irvine and the arrival of Mr John Mellon, chief executive of Reed Publishing Europe, on the executive committee is a victory for "the hawks" in industrial relations.

It was stressed yesterday that Reed Elsevier, which has sales in excess of £2.7bn ($4.1bn) and 25,700 employees, was trading well and that interim results due on August 11 would show "a performance in line with budget and usefully ahead of last year".

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Trevor Humphries
Ian Irvine: vital 'that everyone is using the same hymn sheet'

Conseco set to buy Kemper in 1980s style

By Richard Waters in New York

Kemper, the US insurance and mutual funds group, has accepted a $67-a-share bid from smaller rival Conseco, in one of the biggest leveraged acquisitions of a US financial company.

Kemper's decision had been expected after GE Capital last week dropped its $60-a-share bid. The Conseco offer values Kemper at $2.7bn on a fully diluted basis, though the company puts the total value at $3.25bn, including Kemper's preference stock.

The bid from Conseco, a fast-growing insurance holding company based in Carmel, Indiana, marks a return to financing techniques rarely seen since the late 1980s. The offer, $2.2bn of which is in cash, is backed by junk bond financing, $1.2bn of bank debt and a private buy-out fund run by Conseco.

In a step not used in a large transaction in the 1990s, Morgan Stanley, Conseco's adviser, has issued a letter stating it is "highly confident" it can raise $750m of bond finance. Such letters were the hallmark of Mr Michael Milken, who pioneered the use of sub-investment grade paper in acquisitions at Drexel Burnham Lambert.

All the main rating agencies are reviewing Conseco's debt with a view to downgrading it as a result of the leveraged deal, a move likely to put it firmly in the non-investment grade category.

Mr Jim Parrish, in charge of sub-investment grade ratings at Moody's, said the Conseco deal marked a return of junk bonds to back acquisitions. Until now, the re-emergence of junk bonds in the 1990s had been based on refinancings of 1980s deals or to raise money for companies which previously would have turned to bank finance.

The $1.2bn commitment of bank finance from Citibank is the latest large-scale bank deal for an acquisition. The takeover battles for Northrop and Paramount both involved committed credit lines from individual banks topping more than $1bn.

In another echo of the 1980s, the bid for Kemper turns on a buy-out fund run by Conseco. Known as Conseco Capital Partners II, this fund, with equity capital of $624m, will take over Kemper's insurance and property activities, leaving Conseco with the less capital-intensive, fee-generating activities.

US buy-out funds were largely left on the sidelines last year as high stock market prices enabled quoted companies to use their paper to make acquisitions. Lower share prices have seen the funds returning.

Forstmann Little, a buy-out specialist that has not mounted a deal since 1992, is involved in a battle for control of Western Union, a money transfer business. Unusually, its $650m offer would be backed entirely by the funds it runs, signalling the large resources available to the US buy-out industry.

Although the Conseco bid is remarkable for its size, there have been other highly-geared takeovers of financial companies during the 1990s. American Re, the US's third largest reinsurance company, was bought from Aetna for $1.3bn in 1992 in a deal led by buy-out specialists KKR. With only $300m of equity behind the deal, American Re was relegated to junk-bond status by the rating agencies. However, it has since returned to investment grade after being taken public.

Schrempp to be named as chairman of Daimler-Benz

By David Waller in Frankfurt

Months of speculation over the top job in German industry is set to end tomorrow with the naming of Mr Jürgen Schrempp as the next chairman of the management board of Daimler-Benz, the German vehicle, aerospace and technology group.

Daimler refused to comment yesterday ahead of tomorrow's meeting of the company's supervisory board, but it is understood that Mr Schrempp, 49, the chief executive of Deutsche Aerospace, Daimler's loss-making aerospace arm, will be appointed to succeed Mr Edzard Reuter from May.

Mr Reuter, 66, architect of an ambitious strategy to expand Daimler into a global technology group, will step down before his contract runs out at the end of next year. He is expected to be appointed to the Daimler supervisory board although it has not been decided whether he should succeed Mr Hilmar Kopper, chief executive of Deutsche Bank, as chairman of that body.

Mr Schrempp, an engineer who has spent a large part of his career with Daimler working in the US and South Africa, is seen in Germany as Mr Reuter's favoured candidate for the succession and is thought unlikely to break radically with the strategy established by his mentor.

The other main contender for the job was Mr Helmut Werner, 57, chief executive of Mercedes Benz, the luxury car company which accounted for 70 per cent of Daimler's DM97.7bn ($59.9bn) turnover last year and traditionally accounts for the bulk of the group's profits.

The appointment of Mr Schrempp is due to take effect from the group's shareholder meeting next May, allowing Mr Reuter to take credit for the expected recovery in Daimler's profits this year. Last year the group made a loss of DM1.8bn.

The Daimler supervisory board is likely to discuss the question of Mr Reuter's appointment to the chairmanship of that body in November. Should Mr Kopper step down from this position, it would be a break with the past as a representative of the Deutsche Bank – Daimler's biggest shareholder with a 24.4 per cent stake – has occupied the position since the 1920s.

UK brokers' pay rises 67%

By Norma Cohen, Investments Correspondent

Payments to directors at UK-based stockbrokers Smith New Court rose by more than two-thirds in the year ended April 1994 to £16.7m ($25.38m) from £10m the year before.

The firm had earlier reported pre-tax profits for the year more than doubled to £95.2m from £38.7m in 1993.

Overall the size of the board expanded to 35 from 29, and a fifth of those – seven directors – earned over £500,000 in total remuneration last year. A further 14 directors earned between £300,000 and £500,000.

The highest paid director, who was not named in the annual report released yesterday, earned a total package of £1.28m, of which £750,000 was a performance-related bonus. The chairman, Sir Michael Richardson, earned a more modest £141,000, the same sum as last year and, as in 1993, earned no profit-related pay or pension contributions.

Chief executive Mr Michael Marks had earlier said that a portion of the bonuses would be paid in the form of Smith New Court shares.

The report does not disclose just how much of the bonus is in the form of shares although it does show that share options for some directors have increased sharply over the preceding year.

Mr Marks, for instance, is now the holder of 557,390 "fully paid" share options, while a year ago, he held 73,134 share options but was granted additional options following a rights issue last May.

Fiat construction subsidiary wins merger go-ahead

By Andrew Hill in Milan

Cogefar-Impresit, the Fiat construction subsidiary, yesterday took another step towards the creation of Italy's largest construction group, when shareholders approved the first phase of a planned merger with two other building companies.

At the same shareholder meeting, the chairman and chief executive of Cogefar said they would stand down, having completed the cleaning-up of the company.

A number of former Cogefar executives were allegedly involved in Italy's bribes scandal, but Mr Marcello Franco, who became chairman in May 1993, said yesterday that he and Mr Paolo Rucci, outgoing chief executive, had "carried out the job of regularising and systematising the accounts".

Fiat announced in December that it planned to cut its exposure to the building sector with a complicated three-way merger between Cogefar-Impresit, Lodigiani (Italy's second largest private construction group) and Girola (a smaller construction group).

Cogefar shareholders yesterday approved the merger with Impregilo, a joint venture between the three companies which is the vehicle for the deal. Impregilo should take over Lodigiani and Girola's construction activities before the end of the year.

Mr Franco and Mr Rucci will remain on the Cogefar board, which will be enlarged to include Mr Francesco Carraro, Impregilo's chairman.

Over the last two years, the corruption scandal has frozen public-sector contracts, Cogefar's speciality.

US executives to face music at Tatra meeting

By Vincent Boland in Prague

A boardroom battle at Tatra, the Czech truck maker, could come to a head today at a shareholders' meeting at which three US executives are expected to come under fire.

The executives, who were offered 15 per cent in the truck maker last year in return for help in bringing Tatra back to profit, face criticism about their management style and commitment to the company.

Mr Gerald Greenwald, a former vice-president of Chrysler, the US carmaker, and two former executives of International Harvester, Mr David Shelby and Mr Jack Rutherford, were hired to implement a rescue package at the company, which has seen its workforce cut from 16,000 to 12,000.

Criticism emerged after it was suggested earlier this year that Mr Greenwald might become chairman of United Airlines, the US carrier. Some of the Czech management expressed doubts about his commitment to Tatra, and accused the three executives of absenteeism and "management by fax", a charge they reject.

Analysts in Prague said the men were likely to get the backing of shareholders and that the company had little option but to continue restructuring. A source close to the company board said that while critical of their management style, the Czech directors did not want the US team to leave.

Since their arrival in May last year stocks have been cut and Tatra has been able to raise short term capital after restructuring its debt, estimated at Kcs3.7bn ($132m).

Sales of its main T815 truck have failed to recover, however. Tatra sold 15,000 trucks in 1989 but only 4,000 last year. First-quarter sales this year are understood to be below break-even point.

Tatra lost Kcs439m in 1992 and a further Kcs947m in the first nine months last year, compared with a profit of Kcs729m in 1991.

GAN poised to replace chief ahead of sell-off

By John Ridding in Paris

Mr François Heilbronner, chairman of GAN, the state-owned French insurance group, is set to be replaced by Mr Jean-Jacques Bonnaud, head of the company's international operations, according to government officials.

Mr Bonnaud, whose appointment is expected to be confirmed within the next few days, will be faced with the task of preparing GAN for privatisation. The company is one of 21 public-sector groups slated for sale, although its privatisation is unlikely this year and must await the sale of Assurances Générales de France, a rival state-owned insurer.

The change at the top of GAN is prompted by the expiry of Mr Heilbronner's mandate. But it also follows the relatively poor performance of the group, which has seen profits decline sharply over the past few years.

From net profits of FFr2.32bn ($424m) in 1991, results at GAN fell to FFr402m in 1992 and remained flat at FFr414.3m last year. The decline in profits partly reflects GAN's exposure to France's troubled property sector, which forced it to restructure its banking operations and transfer FFr18.4bn of non-performing property loans from its balance sheet earlier this year.

Following the restructuring measures, Mr Heilbronner said that the company was on course for "very strong" growth and should be ready for privatisation later this year.

Mr Bonnaud's appointment has been strongly supported by Mr Edmond Alphandéry, the economy minister. According to officials, Mr Alphandéry is in favour of an internal appointment to head the group, as opposed to the series of external appointments which have taken place at other public sector companies.

Mr Bonnaud, 59, joined GAN in 1979 and has been managing director responsible for international operations since 1986.

Portugal to place telecoms on the line

Part of the newly-restructured industry will be sold off next year, reports Peter Wise

The restructuring of Portugal's telecommunications industry has started at a brisk rate. The process began on Thursday when three state-owned utilities were brought together in the country's biggest merger to create Portugal Telecom (PT), the largest Portuguese company by number of employees.

Part of PT is to be sold next year in one of Portugal's biggest privatisations. It will become one of the largest companies quoted on the Lisbon stock exchange. Along the way, important services may be spun off through the most ambitious buy-out attempted by Portuguese managers.

Critics say the process could also prove one of the centre-right government's biggest mistakes.

"Creating a company of this size will inevitably lead to enormous inefficiencies and a loss of control over costs," says Mr João Oliveira Martins, a former telecommunications minister. "Merging three companies with such different cultures will drastically reduce competitiveness."

Portugal's restructuring fits a pattern in Europe, where smaller countries are rationalising, liberalising and privatising state telecommunications operations. Objectives include cash for modernisation, market-oriented management and a place in one of the international alliances taking shape.

PT will bring together Portugal's domestic and European telecommunications services, as well as television signal broadcasting, mobile communications, cable television and data transmission, under the management of a single state monopoly.

Intercontinental services run by Radio Marconi will be brought into the group later this year, when the government buys or exchanges shares held by private investors who own 49 per cent. The government is considering a proposal for a management buy-out of Marconi's 40 overseas subsidiaries and non-core services.

But Mr Eurico Cabral de Fonseca, president of Comunicações Nacionais, the holding company for state-owned telecommunications companies, says the loss of Marconi's international expertise would be a fatal blow to PT.

The government defends the PT merger as an essential reshaping of an irrationally divided sector. Mr Cabral de Fonseca says Portugal could not hope to join an international alliance if it left telecommunications services divided between separate companies.

Analysts say the merger will also help Portugal rebalance low local-call tariffs with high long-distance and international call prices.

But critics fear the new utility runs the risk of becoming an inefficient colossus that could lose market share to foreign companies. It is widely accepted that market demand will force the liberalisation of voice services in Portugal before the 2003 deadline – five years after most other European Union countries – set by Brussels.

Raising funds for investment through privatisation is a priority for Portugal. Although the country has made significant progress by increasing the number of telephone lines for every 100 inhabitants from 20 to 34 over the past decade, that is still the lowest level in the EU. The government has set a target of 45 for the year 2000.

Expansion at that rate will cost an estimated Es130bn ($787m) a year. The government believes PT would be able to generate sufficient cash for the investment without an injection of fresh capital. But the company is burdened at the outset by a pension fund for its 20,000 employees that is undercapitalised by Es130bn.

Officials say the privatisation of 25 to 30 per cent of PT in the first half of 1995 will be primarily aimed at creating a sound base for growth. Initial estimates value PT at more than Es1,000bn. But privatisation will be too big for the Portuguese market to swallow alone. "Even the biggest Portuguese corporate groups lack the financial capacity to acquire more than 5 per cent of PT," says one analyst.

Because of these limitations, the first sale of PT shares is due to be made simultaneously on several international stock exchanges. The government will limit the holding any single investor may acquire to 5 per cent of the total capital.

The second stage should involve an alliance with a international telecoms partner. But it is unlikely that this politically sensitive issue will be resolved before Portugal's next election in October 1995.

Mr Cabral de Fonseca sees only three possible candidates: British Telecommunications; the alliance between France Telecom and Deutsche Telekom; and Unisource, the Swedish, Swiss and Dutch national telecoms joint venture – each of which are forming alliances with important US and other operators.

Norwegians to acquire Bond Helicopters

By Karen Fossli in Oslo

Helikopter Service, the Norwegian helicopter group, yesterday announced plans to acquire Aberdeen-based Bond Helicopters in a cash-plus-shares deal which values Bond at NKr800m ($115m).

The deal will create the world's largest helicopter group with a fleet of 169 aircraft and annual turnover of NKr2.5bn. Following four years of co-operation between the groups, HS yesterday acquired 49 per cent of Bond and will take over the remaining 51 per cent in the next three years.

The owners of Bond will acquire up to 12.2 per cent of the shares of HS during the amalgamation period making them the biggest single shareholder; 3i, the UK venture capital company, is disposing of its 30 per cent stake in Bond.

Mr Christian Brinch, managing director of HS, said the companies would retain their identities during the next three years and that there would be no formal changes to management. Mr Brinch will become the managing director of the new entity.

The merged group, with 1,800 employees, 156 helicopters and 13 aircraft, will command 42 per cent of the North Sea market which Mr Brinch said would give the new entity a solid, competitive position when the North Sea market is opened to free competition from 1997.

The two companies also have operations in Australia and the Far East and see the greatest growth potential for the new entity in south-east Asia.

The NKr800m valuation of Bond was negotiated with its owners while HS had a market value of NKr2bn at the end of 1993.

Cable & Wireless seeking partner in US

By Andrew Adonis in London

Cable & Wireless, the UK telecommunications group, is in talks with US telecoms companies about an alliance.

Lord Young, C&W chairman, said a "further interest in the US" was essential to the group's strategy of standing apart from international alliances between large operators.

C&W's US negotiations are aimed at boosting its US subsidiary, CWI, which supplies long-distance services to small and medium-sized companies. CWI's turnover of £383m ($582m) last year made it one of the larger "second division" long-distance US carriers after AT&T, MCI, and Sprint.

Lord Young said the seven local Bell telecoms companies were particularly attractive to C&W. The Bell companies are seeking partners to break into the US long-distance market when regulations are changed to allow this.

"They are the sort of people who have direct access to companies," Lord Young said, but he did not rule out acquisitions of smaller operators. C&W has links with Bell operators in its non-US businesses – notably with US West, the regional Bell operator covering 14 mid-western states, in One-2-One, a UK cellular mobile network.

Lord Young said the company's strategy remained "totally viable" even if Hongkong Telecom, C&W's largest concern, joins AT&T's Worldsource venture which aims to supply one-stop services to multinationals. It emerged last week that Hongkong Telecom was in talks with AT&T.

Lord Young confirmed C&W was in talks about consortia to launch second operators to the national monopolies in Europe.

Axa plans to invest $200m in Japan

By John Ridding

Axa, the French insurance group, said yesterday that it plans to invest about $200m within the next five to seven years to expand its presence in the Japanese market, following provisional approval to set up a life assurance subsidiary in the country.

Axa said that it hoped to receive definitive approval to set up the subsidiary at the beginning of next year and plans to start marketing its products from next April. It said it hopes to set up 12 regional offices after its initial entry into the Japanese market.

The company, which claims to be the first French group to have received such authorisation to set up a life insurance subsidiary in Japan, said that it aims to achieve FFr1bn of premiums within five years and more than FFr4bn within a decade.

Mexican offerings aim to raise total of $600m

By Ted Bardacke in Mexico City

Three Mexican companies plan to offer a total of more than $600m in equity on international markets this week.

The offerings will test the receptiveness of investors to Mexican paper in light of recent political instability and less than two months before presidential elections.

Grupo DESC, a large industrial conglomerate, will float 10.5 per cent of its capital via an American depositary shares (ADS) offering, being co-ordinated by Goldman Sachs, and a domestic offering underwritten by Inver Mexico.

The company hopes to raise between $200m and $235m, with proceeds to be used primarily for new investments in car components, property and food.

"Analysts have been telling us that they are looking less at Mexico as a whole and more at company particulars," said one adviser to the offering.

"We hope that is the case here because we believe our risk is lower than that of Mexico in general," he added.

Banpais, a medium-sized bank that recently bought Asemex, the country's largest insurance company, from the Mexican government, plans to sell around 20 per cent of its capital for about $170m.

The ADS offering, accounting for 85 per cent of the shares being offered, is underwritten by S. G. Warburg.

Proceeds will go first to repay a mandatory convertible sub-debt the bank holds with a group of private investors, and then towards increasing the institution's loan portfolio.

Grupo Sidek, a constructor specialising in tourist developments and hotel operations, also expects to raise $200m this week with its own ADS offering being co-ordinated by James Capel.

The money raised will be used for construction projects, including a new luxury hotel in Mexico City as part of a joint venture with the Mandarin hotel chain of Japan, and a move into the booming low-cost housing market.

Sidek originally considered a Eurobond issue instead of a share offering, but felt that the bond market was treating Mexican companies too "generically".

"A share offering makes investors pay more attention to the company. Bonds are only better when a country is hot," one analyst noted.

The success of these issues is being watched closely by a number of other Mexican companies which are anxious to raise money via equity offerings but unsure of how to time them effectively in view of the August 21 election.

Labatt sees asset sales generating C$500m

By Robert Gibbens in Montreal

John Labatt, one of Canada's two big brewing groups, has raised the possibility of selling parts of its C$1bn ($700m) entertainment businesses.

These would include the Toronto Blue Jays baseball club, the Toronto Argonauts football club and broadcasting assets.

The remaining interests in these businesses would then be packaged together in a new company, 49 per cent of which might be sold to the public, said Mr George Taylor, president of Labatt.

The timing of any such offer, however, would have to await improved stock market conditions.

Mr Taylor told analysts in Toronto that the proceeds from the asset sales, around C$500m, would be put in to brewing and other entertainment acquisitions.

Labatt has for some time been unhappy with performance of its sports, broadcasting and entertainments businesses and is seeking to expand its brewing businesses internationally.

It is already trying to sell its US dairy products division.

The company earned C$155m, or C$1.53 a share, in the year ended April 30, up from C$183m, or C$1.32, in fiscal 1993, from continuing operations. Sales rose 9 per cent to C$2.32bn.

Brewing earnings were ahead by 19 per cent, while the broadcasting, sports and entertainment units contributed C$82m, against C$56m.

Gold producers to form new group

By Kenneth Gooding, Mining Correspondent

International institutional investors are being asked to provide $75m to facilitate a merger of four small gold companies into a widely-held, intermediate-sized North American gold producer, Atlas Gold Corporation, listed in New York and Toronto.

Next year the new Atlas group was likely to be producing at an annual rate of more than 300,000 troy ounces, said Mr Steve Manz, president and chief financial officer, yesterday.

This would qualify the group for inclusion in the new Financial Times Gold Mines Index.

Mr Manz and two colleagues – Mr David Birkenshaw, now chairman, and Mr Michael Gross, chief operating officer – moved into Atlas last September when the company was close to bankruptcy.

They had previously been officers of Royal Oak Mines, the Canadian group being quickly built into a significant gold producer under the guidance of Ms Peggy Witte, its president.

They now expect to raise $75m, about half from US investors and the rest split about equally between institutions in Canada and the UK. This will be used:

- to buy 37.2 per cent of Granges, a Canadian precious metals producer, for C$50.7m (US$36.4m) from MIM, the Australian resources group;
- to acquire about 20 per cent of Dakota Mining, a Denver-based company formerly known as MinVen Gold, for between $15.3m and $18.4m.

Atlas then hopes to use these stakes to acquire the rest of Granges and Dakota as well as the remaining half of Granges' 50 per cent-owned Hycroft Resources before the end of 1994.

At a presentation to institutions in London, Mr Manz said that the merged group would start out with $86m cash (mostly coming from the sale by Granges of its Trout Lake mine to Hudson Bay, the Minorco subsidiary) and other working capital of $2m and long-term debt of about $2m. Exercise of outstanding Atlas and Dakota warrants would add another $18m cash.

The merged group would have annual gold production between 200,000 and 300,000 ounces a year at cash cost of between $260 and $270 an ounce (and total costs of $296) and reserves of 2.4m ounces.

Trident poised for Ukraine TV franchise

By Chrystia Freeland in Kiev

Trident Television, a privately-owned UK company operating in Ukraine, is about to purchase a 25-year franchise for one of the two national television channels in Ukraine from the state television company.

If the deal goes through, it will be one of the first of its kind in the former Soviet Union and give Trident a leading position in Ukraine's growing and largely untapped advertising market.

Mr Andy Bain, managing director of Trident, expects the company's initial investment to be between $12m and $15m. The investment is to be made in the form of equipment and improvements to the transmission facilities of Derzhteleradio, the Ukrainian state television company.

"Certain assets in this country are selling for pennies on the dollar and we are getting one of them," Mr Bain said.

Trident, which is raising funds for the investment through a private offering, hopes to purchase the right to broadcast and sell advertising for 16.5 hours a day, seven days a week on Ukraine's Channel Three.

Under the contract, Derzhteleradio will receive part of the advertising revenue as its licensing fee and will retain ownership of the transmission facilities.

Derzhteleradio will continue to exercise full control over the news and political content of the channel. The state television company is subject to strong political control from the government.

Mr Bain believes that part of the reason Kiev is selling the channel so cheaply is to create a popular, Ukrainian language alternative to Ostankino, the Moscow-based channel that broadcasts throughout the former Soviet Union.

Ukrainian government officials regularly accuse Ostankino of politically biased reporting, but Ukraine's home-grown, provincial television channels are no match for the slick Russian station.

Trident, which hopes to go on air next year, could change that, by offering in the Ukrainian language a mix of sitcoms, game shows, movies, and serials imported from the west and US-style programming produced in Ukraine.

Mr Bain is confident that Ukraine's booming advertising market will allow Trident rapidly to recoup its investment.

Zeigler Coal plans public offer

By Laurie Morse in Chicago

Zeigler Coal, the fourth largest US coal company, has applied to the the Securities and Exchange Commission to sell 10.6m shares in an initial public offering.

The company said it planned to sell the shares for between $15 and $17. The timing of the offering was not disclosed.

The company plans to use the proceeds to reduce debt and increase its ability to acquire new coal properties and develop new mines on existing reserves.

Illinois-based Zeigler produces about 40m tons of coal annually, with mining operations in Illinois, Indiana, Ohio, Kentucky, West Virginia and Wyoming.

The company has expanded rapidly since 1990, acquiring the coal assets of BP America in 1990, and of Shell Oil Company in 1992. Analysts estimate the value of the Shell acquisition at between $750m and $950m.

Zeigler said it recorded first-quarter net income of $6.3m on sales of $220.1m.

Analysts said the Zeigler shares will offer a rare "pure coal" opportunity for investors. The leading US coal companies are held by conglomerates and their shares are not traded independently of their parent companies.

US coal companies have not shared in the strong performance of other commodities-based businesses this year.

Labour unrest and clean air regulations have battered the industry, leaving only the strongest companies – with long-term sales contracts with large utilities – in profitable positions.

"There is a big differential in projections for growth and demand between west-coast [low sulphur] and east-coast coal," said Ms Lindsey Falconer of brokers Ord Minnett.

Amoco receives $440m in tax settlement

Amoco, the US oil group, has received about $440m, including interest, from a settlement with the Internal Revenue Service, which will result in a second-quarter after-tax gain of about $270m, Reuter reports from Chicago.

The company said the payment was the final settlement of a dispute involving "windfall profit taxes" in the 1980s.

The settlement stems from seven cases filed by Amoco Production and its subsidiaries that contested notices of deficiency issued by the IRS. Those notices alleged Amoco had underpaid its windfall profit tax liability from 1980 to 1986.

The refund will be recognised in the company's second quarter results.

- Continental Corporation, the US insurer, is to eliminate about 900 jobs as part of a plan to reduce pre-tax annual expenses by $80m, AP-DJ reports from New York.

There are currently about 11,600 people in the company's workforce.

Imperial Oil to shed 500 jobs

Imperial Oil of Canada is to cut about 500 full-time jobs at its resources division by the end of 1995, AP-DJ reports from Calgary.

It said the resources division would be undertaking cost-reduction measures to move the company's operating performance into the top 25 per cent of Canadian upstream oil and gas companies.

NEWS DIGEST

DTB to revise product margins

Deutsche Terminbörse, the German futures and options exchange, plans to alter the margin-parameters on certain important derivative products because of continued high volatility, Reuter reports from Frankfurt.

The additional-margin on the bund future will be raised to DM5,000 (200 ticks) from DM4,000 (160 ticks) per contract, and that for the Bobl future will be increased to DM2,500 (100 ticks) from DM2,000 (80 ticks), the DTB said.

The margin calculation interval on some stock options would be changed, the exchange said.

The interval on Allianz options would be raised to 7 per cent from 6 per cent, the DTB said: for BMW options it would be lowered to 6 per cent from 9 per cent: for Dresdner Bank it would be raised to 8 per cent from 7 per cent: and for VW it would drop to 7 per cent from 8 per cent.

Chinese telephone deal for Motorola

ChinaTek has signed a contract with Motorola, the US electronics company, to provide cellular telephone services to eight cities in China, Reuter reports from New York. ChinaTek is the US holding company of a group of businesses principally engaged in the design, manufacture, marketing and distribution of state-of-the-art television sets.

Under the contract, which has been approved by the Chinese government, ChinaTek will install a cellular telephone network in eight cities in Liao Ning province, a large industrial centre in north-east China.

Installation of the facilities and the sale of cellular telephones are expected to begin in October, it said.

Under the plan, the network should be operational by December of 1994, after which ChinaTek will run it for four years. Motorola has agreed to supply the network equipment and cellular telephones, which will be purchased by ChinaTek.

In return, ChinaTek will receive all revenues from selling the cellular telephones as well as all service fees. ChinaTek expects net revenues from the cellular phone programme during the four years to be in the $23m to $25m range.

Dell to lift demand for computers

Dell Computer of the US is beginning to restimulate growth in computer demand with more competitive pricing, AP-DJ reports.

But the company said that as a result the rate of improvement in its gross margin might moderate. However, Mr Joel Kocher, president of worldwide sales, marketing and service operations, said margins were such to allow this pricing competition. The gross margin was 22.2 per cent in the first quarter ended May 1, against 18.6 per cent in the fourth quarter.

Dell also said it expected to introduce new portable computers this summer.

Stakes raised again in Bridge Oil bidding war

By Nikki Tait in Sydney

The stakes were raised again yesterday in the hotly-contested bid for Bridge Oil, the Australian oil and gas company, as Texas-based Parker & Parsley raised its terms to 90 cents a share – valuing Bridge Oil at A$378m (US$277.9m) – and snared almost one-fifth of its target's shares.

But Gantry Acquisition Corporation, the rival bidder which is offering 85 cents a share, quickly stressed that it was not out of the race. "We're still very much in the game and considering our response," said Mr Gene Humphrey, Gantry's president.

Gantry is the bid vehicle for Joint Energy Development Investments, an investment partnership owned jointly by Enron, the North American gas company, and the California Public Employees' Retirement System, one of the largest public-sector pension funds in the US.

P&P, which opened the bidding with an offer of 70 cents a share in cash last month and had already raised that to 80 cents, said it was adding a further 10 cents to its price as the markets opened. No sooner had these new terms been announced, than Prudential-Bache Securities, acting for P&P, said it would buy in the market at the revised offer level.

By the close of business, the bidder's interest had increased to 19.4 per cent of Bridge's equity, compared with just over 4 per cent previously. Mr Herb Williamson, executive vice-president of Parker & Parsley, said he believed the new offer was "a compelling bid".

News of the higher offer from the Texan oil independent prompted the Bridge Oil board to switch its allegiance. Having previously recommended the 85 cents a share offer from Gantry, directors said they were now supporting the new bid from Parker – in the absence of any further higher offer.

Aside from price, the two bids differ in that P&P has said it will retain Bridge's Australian assets, whereas Gantry has suggested that it is interested primarily in Bridge's US operations and would expect to dispose of the Australian operations.

● Grocery wholesaler Foodland Associated plans to refinance all banking facilities within the group by the end of October, Reuter reports.

Foodland, the target of a A$501m takeover offer by New Zealand's Rank Commercial and Coles Myer of Australia, said the refinancing would be undertaken on the basis of a common borrowing and security structure.

The company said it expected to require core debt facilities of around A$250m. All current lenders would be offered an opportunity to participate in the refinancing, Foodland said.

Court gives BHP time to defend A$4bn lawsuit

By Nikki Tait

The Victoria Supreme Court yesterday set aside an interlocutory judgment for damages against Broken Hill Proprietary, in respect of the A$4bn (US$2.9bn) environmental lawsuit brought against the large Australian resources company by villagers living around the Ok Tedi copper mine in western Papua New Guinea.

BHP had been found guilty by default earlier this month because it failed to lodge a defence to the writ within a 30-day period – although lawyers quibbled over the precise deadline.

The Australian company, which manages the mine, has since submitted its defence documents and said it will contest the action. The biggest of Australia's natural resource groups, BHP is due to report its full-year results on Friday.

Japanese 'ignoring' laws on outsiders

By Norma Cohen, Investments Correspondent

Japanese companies are largely ignoring a new law requiring them to appoint at least one outsider to their boards, according to the US-based Investor Responsibility Research Center.

Last year, largely as the result of pressure from US trade negotiators, Japan passed laws requiring all corporations to appoint at least one outsider to their boards of so-called statutory auditors, non-voting board members whose role is to ensure that Japanese companies are run in a legal manner.

Normally, boards of directors at Japanese companies are composed entirely of each company's top executives, according to earlier surveys by IRRC, a non-profit group which monitors issues affecting corporate governance.

IRRC surveyed 911 candidates for the role of outside statutory auditor.

Some 80 per cent of Japanese companies have scheduled annual shareholder meetings for June 29, at which the individuals are set to be approved.

According to Mr John Taylor, senior analyst specialising in east Asian companies at IRRC, Japanese corporations are exploiting a loophole in the law to allow them to classify as outsiders those who are actually employees.

While employees are paid out of a company's profit and loss account, board directors are paid bonuses out of profits. Thus, a director who has not been on the payroll for the previous five years can be technically classified as an outsider.

Mr Taylor said that out of the 911 individuals surveyed, some 17 per cent, or 156 candidates, fell into this category.

"One out of six of Japan's 500 biggest companies – including international giants Sony and Mazda – appear this month to be nominating individuals to outsider slots who are really employees of the company," Mr Taylor said.

Hard road for Japan's bank mergers

Rationalisation plans may be at turning point, writes Emiko Terazono

When Mr Takao Nakamura, a leading client for Kita-Nippon Bank, handed in a petition of 30,000 signatures to the bank earlier this month opposing a merger with two regional counterparts, he was unsure if he was doing the right thing.

In the event, the plan to put together Kita-Nippon Bank, Shokusan Bank and Tokuyo City Bank – all based in Tohoku, northern Japan – was subsequently abandoned in spite of pressure for the deal from the powerful ministry of finance.

The ministry is attempting a radical consolidation of Japan's many regional banks. "We didn't want Kita-Nippon to turn into something else, but we didn't want to jeopardise its position either," says Mr Nakamura, who heads the bank's client union.

However, rationalisation and the expansion of market share through mergers has become an increasingly urgent fact of life for Japan's financial institutions as the country heads towards full financial deregulation.

Japan's banking sector contains a number of imbalances: 45 per cent of the private-sector domestic loan market is held by the top 21 banks, the city, long-term and trust banks: the remaining 5,700 institutions fight over the other 55 per cent.

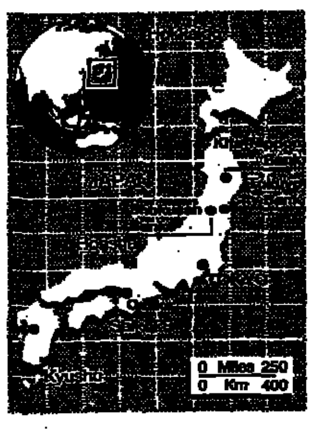
Under these circumstances, rationalisation is inevitable, especially with many of the smaller and weaker banks suffering from bad loans made during the asset "bubble" of the 1980s. Instead of letting small banks fail, the ministry of finance has encouraged mergers between the weaker and stronger banks with the aim of avoiding public bailouts and crises of confidence and helping local institutions to achieve economies of scale.

Initially, the three-way merger, which would have created the fifth-largest of the second-tier regional banks with deposits of Y2,190bn ($21.26bn) and 225 branches, was welcomed by financial officials, clients and employees. But the euphoria within Kita-Nippon soon gave way to apprehension over allegations that Tokuyo City had bad loans of more than Y100bn.

Tokuyo City, which made a pre-tax loss of Y1bn last year, down from a Y7.6bn loss in 1992, refuses to confirm or deny its bad loan figure. Although the bank has a reputation for heavy lending to real estate companies, it says most of its loans were not "bubble" related, but were made before the real estate investment boom.

"Every bank has non-performing loans," stresses Mr Yoichi Oyama of Tokuyo City.

Unions at Shokusan and Kita-Nippon objected to the merger on the grounds that job



security would be threatened by merging with a bank with potentially high levels of problem assets.

"We've had great doubts about the merits of the economies of scale of the merger as well," says Mr Akira Yukinoura, head of Kita-Nippon's employee union. Since the three banks are based in different areas of northern Japan, there would be no cost-cutting benefits through closing branches, he says. In addition, the initial cost of setting up new computer networks would be too large.

"The ministry of finance's plan ignores the feeling of us local clients, and the importance of Kita-Nippon's strong relationship with us," says Mr Nakamura, who owns a food manufacturing company in Iwate prefecture, where Kita-Nippon is based.

Clients were also concerned over rising speculation about the reason the merger was to take place on January 1 next year, in spite of the business year starting in April. "It seemed like the financial authorities wanted to avoid having to reveal Tokuyo's poor financial statement for the year ending next March," he says.

Banking analysts suggest the collapse of the three-way merger represents a turning point for the ministry of finance's bank plans to rationalise the banking industry. "The ministry can still orchestrate these mergers but they need to make incentives clearer for the banks involved," says Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo.

Clients and employees of Kita-Nippon, which had the courage to reject the ministry's guiding hand, are aware that the bank may face more pressure from the ministry and increasing competition from other local banks.

Mr Nakamura says that by forcing Kita-Nippon to drop its merger deal, the client group has pushed the bank to choose a "road full of thorns".

He stresses, however, that customers of Kita-Nippon acknowledge that they too must play their part in making sure the bank survives.

Thai Air alters funding plans

By William Barnes in Bangkok

Thai International Airways has temporarily shelved plans to issue US$200m in Euro-convertible debentures because of a lack of demand in that market.

Instead, it will mobilise funds worth some $686m to purchase the nine aircraft it expects to take delivery over the next two years.

Some Bt11bn ($438.6m) will be raised with the issue of Y40bn ($388.3m) of samurai bonds to refinance the purchase of four Airbus A300-600s and one Boeing 747-200; Y6bn in Euro-commercial paper will be issued to refinance the outstanding cost of two Airbus A300-B4s.

Mr Kasem Suwanagul, the airline's chairman, said that the airline would pay "much lower interest rates of between 2 and 6 per cent for the bond and the commercial paper."

The finance ministry has also approved Thai Airways' plan to issue debentures, with warrants attached, worth Bt5bn in the domestic market towards future purchases.

The company is also investigating other debt instruments; a medium-term note worth $200m will be issued with the support of the finance ministry, and a Japanese leverage lease will also cover US$286m in purchase costs.

The airline intends to take delivery of five Airbus A330-300s and one Boeing 747-400 this year and three more Airbus A330-300s next year.

The refinancing exercise will save around Bt100m a year, Thai says.

The airline is seeking a management consultant to help it improve its corporate image.

The company wants to refurbish its staff uniforms and interior decoration, although the carrier will keep its colour scheme and logo.

Hydro-Quebec in US$700m bond offering

Hydro-Quebec has completed most of its 1994 borrowing programme with a US$700m issue of 30-year 8.05 per cent bonds priced at par, writes Robert Gibbens from Montreal. The bonds carry a put option allowing holders to redeem at par in July 2006.

Proceeds will be used to refinance a 12-year debt issue.

CS First Boston, co-leader of the syndicate with Merrill Lynch, RBC Dominion Securities and ScotiaMcleod, said the "put" bonds saved 10 basis points in yield compared with a straight 12-year debt issue.

Ares-Serono optimistic on outlook for year

By Ian Rodger in Geneva

Ares-Serono, the biotechnology-based drugs group, is "quite optimistic" about its profit prospects for 1994.

Mr Ernesto Bertarelli, deputy chief executive, said he thought the worst effects of drug price cuts in the important Italian market had been felt in the first quarter.

Last year Ares-Serono profits fell by a third to $72.5m because of price cuts and currency devaluations in some of its main markets.

At the group's annual press conference, Mr Bertarelli said overall profit margins were set to improve now that the weak over-the-counter drugs and diagnostics divisions had been sold.

However, Mr Christian Raymond, treasurer, acknowledged that a continuing weak or weaker US dollar would have a big impact on profits this year.

Ms Kathryn Biberstein, the group's general council, said Ares-Serono was unconcerned by lawsuits launched recently by dissident minority shareholders of Ares-Serono's Israeli subsidiary, InterPharm Laboratories.

Two weeks ago, the group closed a tender offer for the 24 per cent of InterPharm shares it did not already hold at $22 per share.

Dissidents representing 12 per cent of the shares have held out for a higher price, and have won an injunction in Israel preventing InterPharm from exporting its beta interferon technology to Ares-Serono.

Ms Biberstein said the group expected to reach an agreement with Israel's chief scientist in the next few weeks on the use of the technology.

Ares-Serono was also in discussion with the Nasdaq market, where InterPharm is listed, about delisting the shares.

The company meanwhile confirmed that it would be paying a maintained dividend of SFr6 per bearer share and SFr2.40 per registered share.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.06.94: Pool purchase price £/MWh	Final Prices for Trading on 27.06.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.65	10.65	10.65
0100	12.11	10.00	10.00
0130	12.11	9.95	9.95
0200	12.11	10.00	10.00
0230	12.11	10.00	10.00
0300	12.11	10.00	10.00
0330	12.11	9.91	9.91
0400	12.11	9.75	9.75
0430	12.11	9.75	9.75
0500	12.11	9.75	9.75
0530	10.49	9.91	9.91
0600	14.40	10.60	10.60
0630	17.38	10.65	10.65
0700	24.44	11.56	11.58
0730	24.44	14.07	17.39
0800	24.45	20.83	24.18
0830	24.62	23.22	26.54
0900	24.66	24.82	28.14
0930	35.74	24.82	28.14
1000	35.80	25.59	28.91
1030	28.38	25.59	28.91
1100	26.41	25.59	28.91
1130	29.57	25.59	28.91
1200	32.62	34.30	37.62
1230	32.43	34.30	37.62
1300	29.49	34.30	37.62
1330	25.69	25.69	28.91
1400	24.71	24.16	27.47
1430	24.67	24.15	27.47
1500	24.66	23.77	27.09
1530	24.67	23.77	27.09
1600	24.61	23.77	27.09
1630	32.31	24.15	27.47
1700	32.33	38.85	42.17
1730	32.25	38.85	42.17
1800	32.12	38.85	42.17
1830	24.65	23.93	27.26
1900	24.44	23.93	27.26
1930	24.44	23.93	27.26
2000	24.44	22.89	26.21
2030	22.70	21.87	25.19
2100	35.34	21.87	25.19
2130	35.34	26.51	29.84
2200	35.34	30.47	33.79
2230	35.34	30.47	33.79
2300	20.79	26.51	29.84
2330	20.79	21.87	25.19
2400	17.81	12.50	15.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0562-488769 between 8:30am and 5:15pm Monday to Friday.

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US Treasury prices hold steady in light activity

By Frank McGurty in New York and Graham Bowley in London

US Treasury bonds held fairly steady in light activity yesterday in response to a slightly firmer dollar.

By midday, the benchmark 30-year government bond was ⅛ lower at 84 11/32, with the yield inching to 7.523 per cent. At the short end, the two-year note was off 1/32 at 99 23/32, to yield 6.101 per cent.

An air of uncertainty hung over the morning session as traders anxiously awaited fresh developments in the foreign exchange markets. In overnight trading, the US currency sank below Y100 but later climbed back above the line.

Bonds reacted with a modest move lower, but traders had no appetite for a fresh sell-off after Friday's rout. Dealers were buying government securities on weakness, helping to build a new floor for prices.

The big question was whether the Federal Reserve would lead a second round of

GOVERNMENT BONDS

intervention on behalf of the dollar, in spite of the failure of last week's efforts.

By early afternoon, the central banks had held their fire in the currency markets, though there were reports of them buying Treasury bills, reinvesting dollars acquired in Friday's intervention.

Meanwhile, Fed officials were sending out signals that suggested the central bank would not lift rates again during its policy-making session next week, despite the weakness of the dollar.

Mr Alfred Broaddus, president of the Federal Reserve Bank of Richmond and a member of the Fed's policy-making committee, said he would have to see June and July data before making a decision.

■ A large purchase of UK gilt futures, rumoured to be by a US hedge fund, pushed London higher yesterday, while other European bond markets enjoyed a late rally following earlier falls.

Trading activity in the continental European markets was subdued, with most activity limited to the futures market. They opened lower but recovered later in the day, led by Germany, after a relatively calm day for the dollar removed the immediate threat of an emergency rise in US interest rates to protect the US currency.

Analysts said market sentiment remains nervous ahead of further developments in the currency markets and in US interest rates.

"This is just a short squeeze upwards after a crash," said Ms Alison Cottrell, international economist at Midland Global Markets.

"Markets are pausing for breath ahead of more data and before the long weekend in the US, the [Federal Open Market Committee] meeting, the next Bundesbank meeting and the G7 summit in Naples," she said.

■ UK government bonds benefited from the government's White Paper on pension industry reform, analysts said. But the single large purchase by a US hedge fund of gilt futures was the principal factor driving gilts higher.

The move upwards in the futures market fed through into the cash market. The long gilt future was up 1 15/32 points in late trading at 101 19/32.

"People have had time to consider the implications of the paper and realise that in the long-term it is favourable for bonds, in that it could involve quite a substantial switch out of riskier assets like equities into long-term gilts," said Mr David Miles, senior UK economist at Merrill Lynch.

The Bank of England was reported to have supplied bonds to the market yesterday due to increased demand.

The UK Treasury's latest forecast for the UK economy will attract attention today. It is expected to predict higher economic growth and lower inflation over the next two years than previously forecast.

Of particular importance for the gilt market will be the projection for the public sector borrowing requirement, which is expected to be revised downwards.

■ Data showing a fall in German consumer price inflation in June helped lift market sentiment but analysts remained sceptical about the immediate prospect for German bonds.

The September bund contract was up 0.54 points at 92.40 in late trading.

Hutchison raises loan for UK unit

By Simon Holberton in Hong Kong

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, has raised a £700m loan for its telecommunications subsidiary in the UK.

There was strong demand for the loan, which has a term of three years and pays 55 basis points above the London inter-bank offered rate (Libor). Hutchison originally came to the market for £500m.

The deal also marked an unusual display of co-operation among the UK's two leading clearing banks, Barclays and National Westminster, which arranged the loan together with Hongkong and Shanghai Banking Corp.

Mr Ashley Wilkins, director of capital markets at NatWest Markets, said: "To get the two biggest UK banks in the market together means there's a lot of credibility behind the deal."

The proceeds of the loan will be used by Hutchison Telecommunications Holdings (UK) to finance Hutchison's investment in the company.

Hutchison has a 65 per cent interest while Barclays owns 5 per cent and British Aerospace the remaining 30 per cent.

The UK subsidiary recently launched a digital personal communications network in the UK under the name of "Orange".

The loan was underwritten by a group of six arrangers; Barclays Bank, Chase Manhattan Asia, Commerzbank Aktiengesellschaft, Hongkong and Shanghai Banking Corp, NatWest Markets, and Westdeutsche Landesbank Girozentrale.

ADS issue for Chinese power group

By Antonia Sharpe

Shandong Huaneng Power Development Company, the first Chinese power-generating company to file a registration statement with the US Securities and Exchange Commission, hopes to raise around $400m through a public offering of 23.4m American depositary shares (ADSs) next month.

CS First Boston, the global co-ordinator of the issue, said the ADSs, each representing 50 N shares, will be offered to investors in the US, Europe and Asia.

N shares, a new category of security on the New York Stock Exchange, provide holders with the same rights as Chinese B shares, which can be bought by foreigners, but they will also meet SEC requirements.

Yen's strength against dollar brings flurry of deals

By Antonia Sharpe

The yen's strength against the dollar prompted a flurry of yen-denominated issuance in the eurobond market yesterday and syndicate managers said this trend was likely to continue as long as the outlook for the Japanese currency remained favourable.

INTERNATIONAL BONDS

"If there isn't a trade accord soon between the US and Japan, there will be even more investor demand for yen-denominated assets," said an official at Merrill Lynch, which arranged two of the three euroyen deals that emerged yesterday.

Other syndicate managers said the recent spate of publicly-underwritten issues did not reflect fully the strength of demand for euroyen bonds from Japan and Europe, noting that they only represented around one-quarter of the volume being raised through private placements.

Yesterday's three euroyen deals were concentrated at the shorter end of the yield curve, which showed that investors were still nervous of longer-dated maturities.

Both Landesbank Rheinland-Pfalz and Safa, the South Australia state treasurer, are believed to have swapped the proceeds of their deals while Xerox Corp kept its funds in yen for its Fuji Xerox operations.

Merrill Lynch made further inroads into the eurosterling sector yesterday when it won the mandate to lead-manage a £47m offering of 25-year eurobonds for the European Coal & Steel Community.

Last week, Merrill arranged a £200m offering of 10-year eurobonds for Austria, the bank's first eurosterling mandate since becoming a market-maker in UK gilts earlier in the year.

The ECSC's bonds, which were priced to yield 38 basis points over the 8¾ per cent UK gilt due 2017, were bought by UK and foreign investors who have been starved of long-dated sterling bonds. When the bonds were freed to trade, the spread was unchanged.

An ECSC official said the deal represented the last instalment of its £200m loan to the Channel Tunnel. He added that the European Community was likely to tap the Ecu sector of the market next month.

Elsewhere, Federal Home Loan Bank could steal Freddie Mac's thunder next month when the two US mortgage agencies launch their inaugural global bond offerings. FHL, which set up a $5bn global medium-term note programme via Lehman Brothers and Morgan Stanley last week, plans to raise at least $1bn by mid-July.

● Moody's has placed the double-A3 long-term foreign currency debt rating of Ireland under review for a possible upgrade. Last month, Standard & Poor's revised its outlook on Ireland's double-A minus rating to positive from stable.

Moody's also said it had downgraded the long-term rating of the Spanish autonomous region of Catalonia by two notches to A1 from double-A2. Around $730m of debt securities are affected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
SAFA(a)	22.5bn	3.35	100.0675R	Jan.1997	0.1675R	-	Merrill Lynch International
Xerox Corp.(a)	20bn	4.45	100.00R	Dec.1999	0.30R	-	Merrill Lynch International
LB Rheinland-Pfalz(a)	10bn	3.20	100.00	Feb.1997	undisc.	-	Salomon Brothers Intl.
STERLING							
ECSC	47	8.9375	99.653R	Jul.2019	undisc.	+38 (8¾%-17)	Merrill Lynch International
CANADIAN DOLLARS							
Crédit Local de France	100	9.625	99.335R	Aug.2000	0.25R	+20 (b)	SMO Nesbitt Thompson

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) Over interpolated yield.

Norsk Hydro rights in line with expectations

By Antonia Sharpe

Norsk Hydro, the Norwegian energy, fertilisers and metals group which is 51 per cent owned by the state, has raised NKr4.7bn through its one-for-nine rights offering, in line with expectations.

Merrill Lynch, global co-ordinator of the SEC-registered offering, said the 23.6m new shares were priced at NKr200 each – a slight discount to the old shares, which traded at NKr219 yesterday.

Of the total amount, 30 per cent was taken up by US investors and the rest by European and domestic investors. The state subscribed in full to its entitlement.

● Svedala, the mineral processing and transport company, has raised SKr843.6m through the sale of 87 per cent of its shares in Kalmar, a subsidiary which manufacturers fork-lift trucks. Svedala plans to sell its remaining shares at a later date as part of its strategy of concentrating on its core businesses and paying down debt.

The 11.1m shares were sold at SKr76 each, to give a historical price-earnings ratio of 29. Merrill Lynch, the global co-ordinator, said 7.2m shares were bought by European and Swedish investors and 3m by US investors.

A further 900,000 shares were sold to Swedish retail investors. The shares will be listed in Stockholm on July 11.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.9100	-2.150	9.98	9.62	8.86
Belgium		7.250	04/04	95.2000	-0.050	7.97	8.10	7.78
Canada *		6.500	06/04	81.0000	-0.500	9.50	9.33	8.57
Denmark		7.000	12/04	91.6700	-0.300	8.21	8.46	7.75
France	BTAN	8.000	05/98	104.2500	+0.020	6.71	7.03	6.41
	OAT	5.500	04/04	87.2500	+1.080	7.37	7.86	7.18
Germany Treuhand		6.750	05/04	97.4400	-0.280	7.12	7.32	6.88
Italy		8.500	01/04	87.8000	-0.600	10.57†	11.09	9.70
Japan	No 119	4.800	06/99	105.2040	+0.300	3.57	3.93	3.04
	No 164	4.100	12/03	99.0530	+0.130	4.24	4.49	3.73
Netherlands		5.750	01/04	90.8400	+0.140	7.10	7.36	6.97
Spain		10.500	10/03	98.8000	-0.250	10.69	10.97	9.68
UK Gilts		6.000	08/99	91-02	+20/32	8.18	8.47	8.10
		6.750	11/04	88-17	+45/32	8.42	8.79	8.39
		9.000	10/08	104-11	+51/32	8.47	8.78	8.49
US Treasury *		7.250	05/04	100-00	-11/32	7.25	7.16	7.17
		6.250	08/23	84-27	-10/32	7.54	7.47	7.42
ECU (French Govt)		6.000	04/04	87.5600	+0.190	7.86	8.29	7.63

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.09	Two year	6.15
Prime rate	7¼	Two month	4.17	Three year	6.45
Broker loan rate	5½	Three month	4.29	Five year	6.91
Fed.funds	4⅜	Six month	4.84	10-year	7.28
Fed.funds at intervention	-	One year	5.47	30-year	7.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114.22	116.28	+0.62	116.30	114.16	214,014	127,727
Dec	113.38	115.38	+0.62	115.12	113.38	1,617	10,920
Mar	112.60	114.64	+0.66	112.60	112.60	2	150

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
112	4.35	5.24	-	0.08	1.00	-
113	3.38	-	-	0.09	1.18	1.86
114	2.40	3.64	-	0.23	1.45	2.20
115	1.28	2.97	-	0.28	1.77	-
116	0.66	2.36	2.28	0.60	2.14	-

Est. vol. total, Calls 36,892 Puts 84,619. Previous day's open int., Calls 360,850 Puts 386,024.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.43	92.25	+0.39	92.45	91.24	123295	148886
Dec	90.95	91.53	+0.40	91.55	90.95	221	4750

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9200	1.35	1.76	1.60	1.89	1.10	1.51	2.07	2.36
9250	1.09	1.50	1.39	1.65	1.34	1.75	2.36	2.62
9300	0.86	1.26	1.20	1.43	1.61	2.01	2.67	2.90

Est. vol. total, Calls 10292 Puts 15107. Previous day's open int., Calls 222935 Puts 198945.

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.32	0.18	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.20	104.00	1.10	104.50	101.89	37056	59420
Dec	-	102.95	1.10	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10400	2.34	3.10	2.34	4.15
10450	2.09	2.89	2.59	4.43
10500	1.85	2.68	2.85	4.73

Est. vol. total, Calls 636 Puts 128. Previous day's open int., Calls 28789 Puts 22865

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.05	89.46	-0.26	89.54	87.90	64,102	97,769
Dec	-	89.41	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101-05	102-18	+1-18	102-20	101-05	1741	8973
Sep	99-14	101-09	+1-17	101-24	99-12	78910	120742
Dec	-	100-09	+1-17	-	-	0	411

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	2-26	3-07	2-08	3-53
102	1-57	2-43	2-39	4-25
103	1-29	2-19	3-11	5-01

Est. vol. total, Calls 1033 Puts 3678. Previous day's open int., Calls 59262 Puts 42080

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	82.80	84.00	+0.20	84.00	82.80	883	5,770
Dec	-	83.56	+0.20	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-11	102-06	-0-08	102-17	102-01	499,621	368,999
Dec	101-21	101-15	-0-09	101-25	101-10	1,259	40,061
Mar	100-26	100-25	-0-05	101-02	100-22	78	3,409

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	110.10			110.20	109.78	2669	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Jun 27	Day's change %	Fri Jun 24	Accrued interest	xd adj. ytd		Low coupon yield Jun 27	Jun 24	Yr. ago	Medium coupon yield Jun 27	Jun 24	Yr. ago	High coupon yield Jun 27	Jun 24	Yr. ago
1 Up to 5 years (24)	121.16	+0.22	120.89	1.65	5.77	5 yrs	8.26	8.38	6.98	8.42	8.58	7.13	8.52	8.68	7.31
2 5-15 years (22)	140.59	+1.12	139.03	2.11	6.42	15 yrs	8.38	8.55	7.93	8.52	8.70	8.01	8.81	8.98	8.29
3 Over 15 years (9)	158.64	+1.49	156.32	2.84	5.41	20 yrs	8.35	8.49	8.06	8.52	8.70	8.11	8.65	8.79	8.33
4 Irredeemables (6)	176.45	+0.64	178.31	1.07	7.36	Irred.†	8.53	8.59	8.26						
5 All stocks (61)	138.25	+0.89	137.04	2.07	6.09										

Index-linked							Inflation 5% Jun 27	Jun 24	Yr. ago	Inflation 10% Jun 27	Jun 24	Yr. ago
6 Up to 5 years (2)	186.53	+0.15	186.26	1.19	2.53	Up to 5 yrs	3.72	3.76	2.99	2.69	2.72	2.23
7 Over 5 years (11)	170.99	+0.30	170.47	0.68	2.65	Over 5 yrs	3.92	3.94	3.54	3.73	3.75	3.36
8 All stocks (13)	171.72	+0.29	171.23	0.73	2.63							

Debentures and Loans						5 year yield Jun 27	Jun 24	Yr. ago	15 year yield Jun 27	Jun 24	Yr. ago	25 year yield Jun 27	Jun 24	Yr. ago
9 Debs & Loans (78)	129.29	+0.89	128.15	2.30	5.55	9.54	9.68	8.22	9.47	9.57	8.99	9.41	9.49	9.15

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 27	June 24	June 23	June 22	June 21	Yr ago	High*	Low*
Govt. Secs. (UK)	92.40	91.71	92.10	91.05	90.99	97.20	107.04	90.99
Fixed Interest	109.24	109.15	108.45	107.33	107.70	114.83	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 24	June 23	June 22	June 21	June 20
Gilt Edged bargains	76.3	92.4	93.4	92.9	98.7
5-day average	90.7	94.1	94.9	96.8	100.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 27

	Issued	Bid	Offer	Chg.	Yield		Issued	Bid	Offer	Chg.	Yield		Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS						United Kingdom 7¼ 97	5500	102	102	+⅛	6.42	Abbey Natl Treasury 8 03 £	1000	92⅛	92⅝	+⅞	9.32
Abbey Natl Treasury 6½ 03	1000	91⅞	91⅝	-⅛	7.88	Volkswagen Intl Fin 7 03	1000	97⅞	97⅞	+⅛	7.41	Alliance Leics 11⅞ 97 £	100	108⅛	108½	+⅛	8.07
Alberta Province 7⅝ 98	1000	101⅛	101½	-½	7.30	World Bank 0 15	2000	20¼	20¾	-¼	7.72	British Land 8⅞ 23 £	150	88⅛	88¾	+⅞	10.39
Austria 8½ 00	400	105	105¼	-½	7.36	World Bank 5⅞ 03	3000	91¼	91⅞	+⅞	7.18	Denmark 6¾ 98 £	800	94⅞	94⅝	+¼	8.40

[illegible]

UK GILTS PRICES

[illegible]

Cost reductions seen as main engine behind future profits growth

Seeboard jumps 17% to £132m

By David Lascelles, Resources Editor

A cost cutting drive helped Seeboard, the regional electricity company for the south-east of England, lift pre-tax profits for the year to March 31 by 17 per cent, from £112.7m to £131.7m, on turnover steady at £1.22bn.

A proposed final of 8.45p raises the total dividend by 17.5 per cent to 11.75p – the largest increase yet seen in the electricity results season. Earnings per share were 37.8p (31p).

This strong showing, combined with a bullish statement from Sir Keith Stuart, chairman, and a share buy-back proposal, helped boost the share price by 11p to 316p.

All areas of the business had advanced, said Sir Keith.

The electricity distribution business produced a pre-tax profit of £101.1m (£91.9m); profit from supply activities increased from £13.3m to £14.5m; gas supply, retailing and contracting all contributed a small profit.

The result was helped by the cost-cutting drive launched last year.

The company shed more than 900 people and expects to reduce numbers by between 200 and 250 in each of the next three years.

Cost reduction is seen as the main engine for profit growth in the near future.

The dividend was "just right for Seeboard" said Sir Keith, and was not a signal that it was in a race with other electricity companies.

Despite the dividend increase, cover went up from 3.1 to 3.2. Sir Keith said this could come down, but the company stood by its policy of giving shareholders "attractive dividend growth".

"Anyone invested in Seeboard should assume that there are good prospects for the future," he said.

Seeboard will be seeking shareholders' approval to buy back up to 10 per cent of its shares.

Mr Jim Ellis, chief executive, said this represented the best use of shareholders' money.

Although Seeboard was looking for expansion opportunities, it intended to take a cautious approach.

The review of distribution prices now being undertaken by Prof Stephen Littlechild, the industry regulator, would lead to tougher price controls, said Sir Keith.

Seeboard had asked him to take account of the cost savings that electricity companies had already made when setting their price formulas.

Trevor Humphries

Sir Keith Stuart (left) and Jim Ellis: planning a share buy-back to use up cash

● COMMENT

Seeboard is beginning to reap the benefits of the cost cutting exercise it launched last year, and the share buy-back is one of the ideas it has for using the proceeds. But in the longer term, Seeboard will have to find more conventional ways of expanding the business if it does not want to end up bulging with cash. The distribution price review will determine more precisely how much cash Seeboard will have, but the company is strong enough to handle a regulatory tightening. Meanwhile, the chairman's statement that it will not rush into "madcap ventures" is reassuring. Assuming 16 per cent dividend growth this year, the shares are on a yield of 5.4 per cent, which is one of the strongest in the sector.

Norweb rises to £178m and looks to expansion in non-core activities

By Michael Smith

Norweb, the Manchester-based regional electricity company, said it expected a fifth of profits to come from unregulated businesses by 1998 as it reported 1993-94 pre-tax profits of £178.3m, against £157.1m.

The company increased the full year dividend by 15 per cent and said its target of achieving real dividend growth of 6 to 8 per cent annually until the end of the decade remained in place.

Mr Ken Harvey, chairman, also said he expected dividend cover to go up from the 3.3 times of 1993-94. This is already among the highest for any of the recs.

The 13.5 per cent profits increase in the year to March 31 was achieved on turnover of £1.47bn (£1.41bn). Provisions for restructuring were increased by about £4m. Job numbers fell from 7,586 to 7,727 during the year.

Earnings per share were 76p (64.6p) and the final proposed dividend of 16.3p makes 23p (20p) for the year.

Explaining the company's non-core strategy Mr Harvey said the current review of distribution by the regulator meant that price controls were going to be tougher after next April. "We are not going to get the growth from distribution that we have had for the last four years."

Mr Harvey expected the generation schemes at Gordonsville, in the US, Keadby and Roosecote to contribute more than £20m operating profits by the end of the decade and retailing to provide about £15m.

He added that following a 1.6 per cent reduction in July 1993 and a further 6 per cent cut in April domestic customers now had the lowest prices in England and Wales.

Mr Brian Wilson, finance director, said the company had net cash of £30m at the year end, after taking £153m of government debt into account.

● COMMENT

Following East Midlands' decision to wind down some of its post-privatisation acquisitions, Norweb has assumed the mantle of the most adventurous regional power company. Through its Gordonsville acquisition it is one of first to move abroad in a serious way, and the balance sheet provides ample scope for more forays either overseas or into generation. The company is also increasing its exposure to fully competitive markets by building a telecommunications business and expanding in gas sales and appliance retailing. The results showed that the stores business was moving ahead, increasing profits from £6m to £7.1m – but with turnover up by 34 per cent so it should be. Norweb has traditionally been one of the best retailers among the recs but competition with the likes of Dixons and Comet means even they are finding the going tough. A solid performance in distribution, where profits rose 8 per cent, and supply, up 19 per cent, has helped Norweb's shares to a 5.5 per cent prospective yield assuming 14 per cent dividend growth this year. That makes it one of the highest rated companies – not bad for a company with Norweb's ambitions.

French group may take over Ferranti division

By Paul Taylor

Thomson CSF, the French defence electronics group, has agreed in principal to acquire Ferranti's industrial systems division from the administrative receivers, Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen.

Ferranti went into receivership in December after GEC withdrew a 1p a share rescue offer for the company following its due diligence inquiries.

Yesterday's agreement, which is subject to contract, covers price – which was not disclosed – and other "critical factors".

Negotiations to finalise the sale are expected to be completed next month.

Ferranti's industrial systems division, which manufactures process controls, has operations at Wythenshawe, Greater Manchester, and Dalkeith and Aberdeen in Scotland.

GEC acquired Ferranti's main UK defence businesses, which include Ferranti defence systems integration and Ferranti simulation and training, from the administrative receivers last month.

Negotiations covering the sale of Ferranti's remaining civil and communications businesses are expected to be completed next month.

After that the receivers will re-open negotiations covering Ferranti's components manufacturing plant at Cairo Mill in Oldham.

Cortecs International shares to begin trading

By David Wighton

Cortecs International, the Australian registered biotechnology company whose operations are based in the UK, will see its shares start trading in London today after raising £10.6m through an international share placing.

The company announced plans for a placing with UK institutions in March, but was caught by the downturn in the new issues market. It cut the offer price by about 15 per cent and widened the net to include international investors, who have taken up some 70 per cent of the new shares. The placing was handled by West Merchant Bank and Henry Cooke Corporate Finance.

Mr Glen Travers, chairman, blamed the weak response on general market conditions rather than any problems with the biotechnology sector in particular. "We had a good feedback from institutions, who liked the fact that we had current products generating cashflow to help fund our research programme."

Last week Cortecs launched a cheap and fast-acting diagnostic kit in the UK for the detection of Helicobacter pylori, the bacterium now acknowledged to be a common cause of peptic ulcers.

Cortecs incurred a loss of A$10.6m (£5m) in 1993 on turnover of A$11.6m after research and development spending of A$7.02m.

Stagecoach in £27.5m offer for Busways

By Chris Tighe

Stagecoach, the Perth-based bus group, has made a recommended share offer for Busways, the main urban bus company in Tyne and Wear.

The deal, which would be Stagecoach's biggest acquisition since its flotation in April 1993, values Busways at £27.5m, to be met by the issue of new Stagecoach shares with a cash alternative and a loan note election.

Busways, bought from the Tyne and Wear Passenger Transport Authority by its management and employees in 1989 for £14.4m, operates more than 600 buses and has a workforce of 1,750.

In the year to March 31 it made a pre-tax profit of £3.3m on turnover of £42.5m.

Both companies described the proposed acquisition as a "win win" deal. Mr Brian Souter, Stagecoach chairman, said he did not expect any referral to the Office of Fair Trading since his group did not currently have any presence in Tyne and Wear.

If the acquisition of Busways and of Western Scottish, announced earlier this month, go through, Stagecoach will have a £285m annual turnover, 5,300 buses and 16,000 staff.

It is offering 246 new Stagecoach shares for every 100 Busways. Irrevocable undertakings have been received from shareholders, including directors and management, in respect of 51 per cent of Busways' share capital.

Busways' employees hold the remaining 49 per cent. The offer is conditional on valid acceptances being received in respect of not less than 75 per cent of Busways shares by July 21.

Because of its size, the deal requires the backing of a Stagecoach EGM. Mr Souter expects approval.

Accepting Busways shareholders can opt for cash, at an aggregate of 186.4p per share; employees' pay-outs would be worth between £4,500 and £13,500. Noble Grossart has conditionally agreed to purchase or procure purchasers for the new shares in respect of which elections are made for the cash alternative.

To fund the £4.51m loan note commitments already known and meet the expenses of the offer, 3.36m Stagecoach shares are being placed at 173p apiece. This placing, underwritten by Noble Grossart, will be issued whether or not the offer proceeds and will raise £5.8m before expenses.

Robert Fleming ahead sharply to £209.9m

By Norma Cohen, Investments Correspondent

Robert Fleming Holdings almost doubled pre-tax profits in the year ended March 31, from £106.4m to £209.9m.

Administrative expenses also rose sharply to £259.6m (£198.2m), "almost all of which reflects a rise in performance-related bonuses to staff," said Mr John Manser, chief executive.

Mr Manser said that all parts of the group contributed to the profits rise, although east Asian dealing profits and commissions were a significant part of that. "A big factor was profits from securities on the equities side, particularly in the Far East," he explained.

Overall, fee and commission income rose strongly to £273.1m (£224.3m), while net dealing income nearly doubled from £40.4m to £77.8m.

Mr Bill Harrison, chief executive of the investment banking division, said the group was beginning to see results from its efforts to achieve greater integration of banking, securities underwriting and distribution and research.

It was the lead underwriter of Euro-convertible issues in the past year and had won mandates on several key corporate finance deals, including acting as adviser to Enterprise Oil in its bid for Lasmo, he added.

In Fleming's investment management activities, worldwide funds under management increased by about 50 per cent to £49.5bn (£33.4bn).

Some £7bn of the increase represents net new cash, with the remainder provided by investment returns from buoyant stock and bond markets worldwide.

The company continued to lose clients in its traditional UK pension fund business, although its international and retail client base grew strongly. "It is an area where we were one of the leaders and now clearly we are not," Mr Manser said.

Fleming has recently recruited a new head for its asset management activities in an effort to improve performance.

Looking ahead, Mr Manser identified two key growth areas; the activities of Jardine Fleming, its 50 per cent owned east Asian joint venture, and a further expansion of its continental European investment banking activities.

Also later this year, Fleming will open its first offices in Latin America and intends to launch a broking service based in New York, which will specialise in the distribution of research on Latin American companies.

Earnings per share jumped to 299.8p (149.6p) and the group announced an increase in dividends for the year from 38p to 50p – a rise of 32 per cent.

Judicial review of Emap's £71m bid for Trans World

By David Wighton

Emap's £71m bid for Trans World Communications, the local radio group, is to be the subject of a judicial review after a successful application by Guardian Media.

Guardian Media, which owns 20 per cent of Trans World, and the company's management have questioned the legality of a scheme devised by Emap to get round the limits on the ownership of radio licences.

The scheme, which involves Emap transferring two of its existing licences into a joint venture with Schroders, the merchant bank, has been approved by the Radio Authority.

At a hearing yesterday Mr Justice Latham gave Guardian Media leave for a judicial review of this approval.

He ordered an urgent hearing as soon as possible after July 18. It is thought a date at the end of the month is most likely.

Emap must post offer documents to Trans World shareholders by July 20.

Emap, which owns 29 per cent of Trans World, launched a full bid of 181p a share last week after agreeing to buy the 22 per cent stake held by Mr Owen Oyston.

The Trans World board declined to recommend the offer on the grounds that Emap was offering an insufficient premium for the shares and that the legal standing of its ownership scheme was uncertain.

Trans World shares fell 3p to 170p.

Budgie provides lift as Sleepy Kids hits £0.26m

By Caroline Southey

Pre-tax profits at Sleepy Kids, the children's animation and merchandising company, soared from £3,000 to £263,000 at the interim stage, on the back of continued demand for Budgie the Little Helicopter.

However, the share price fell 12p to 69p yesterday after running-up ahead of the figures.

Turnover rose from £127,000 to £621,000 in the half year to April 30. The company continued its no-dividend policy, in place since it gained its USM quotation in 1990, although Mr Martin Powell, chairman, said it would recommend a payment once "a trading pattern becomes more firmly established".

Earnings per share rose to 0.87p (0.01p).

The company, which owns the worldwide rights to animate and merchandise Budgie, a character launched in four books written by the Duchess of York, has also won a further 17 merchandise licensing agreements bringing the total to 58 – 36 of which are held by UK companies.

Mr Powell said a second animation series based on the character had been commissioned by ITV Network Centre and was due to be broadcast early next year. Cost of production would be in the region of £1m, of which Sleepy Kids would provide £700,000.

The first series was launched on ITV in early January and is due to be broadcast in Australia, France and South Africa later this year.

Lower interest burden helps Lister cut loss

By Jyoti Jeetun

Lister, a textile maker with interests in engineering and insurance broking, sharply reduced pre-tax losses in the year to March 26, from £2.9m to £851,000.

The improvement was helped by an absence of restructuring costs, compared with a charge of £1.16m, and a reduction in interest charges to £491,000 (£894,000). Losses per share were 5.55p (17.69p); there is an unchanged dividend of 0.1p.

The group, which has been in the red for five successive years, said improved efficiency and product repositioning helped it reduce operating losses to £430,000 (£1.16m). Textiles incurred a loss of £285,000 (£926,000), engineering suffered from weak demand and lost £168,000 (£242,000), while insurance broking reported profits of £23,000 (£5,000).

Zeneca signs $100m Chinese venture deal

By Tony Walker in Beijing

Zeneca, the agrochemicals and pharmaceuticals group, is to invest $100m (£65.7m) in China in the next five years after signing two framework agreements with government organisations.

These included a memorandum of understanding with the Chinese government covering the company's involvement in agrochemicals production and a joint venture consultancy contract with Sino-Pharm, the foreign trade corporation of the State Pharmaceutical Corporation of China.

Mr David Barnes, Zeneca's chief executive, said in Beijing that the group was close to finalising arrangements with a joint venture partner to build a $60m plant producing paraquat, the active ingredient in its Gramoxone herbicide.

The plant, in which Zeneca would have at least a 75 per cent stake, would be located in the Yangtze River Delta near Shanghai.

Capacity would be 15m litres of paraquat annually.

Zeneca, which was floated in London and New York in June last year following its demerger from ICI, plans to use its Yangtze Delta plant as a base for developing the market for its agrochemicals products throughout China.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airtours	int	1.1†	July 28	1	-	9
Business Post	fin	2.5	July 25	-	3.7	-
Clayhithe	fin	1.875	Sept 5	1.75	2.625	2.5
Fleming Inc/Cap	int	1‡	Aug 1	1	-	4.9
Fleming (Robert)	fin	35	July 28	26	50	38
Hewetson	fin	0.75	Oct 3	0.75	1.25	1.25
Hogg Robinson	fin	4.35	Aug 12	4	7.1	6.6
Lister	fin	0.1	Oct 28	0.1	0.1	0.1
Norweb	fin	16.3	Oct 3	14.1	23	20
Seeboard	fin	8.45	Aug 16	7.15*	11.75	10*
Soundtracs §	int	0.92	Sept 23	0.92	-	2.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡For first quarter.

COMPANY NEWS: UK

Exceptional gain helps Hogg Robinson to £21m

By Michael Skapinker, Leisure Industries Correspondent

Hogg Robinson, the travel, transport and financial services group, announced annual pre-tax profits up from £13.3m of £21.5m, including a £7.25m net gain from the sale of the holiday business to Airtours last year.

The group benefited from an upsurge in business travel, with operating profits for the year to March 31 more than doubled to £4.58m, compared with £2.04m.

Profits from transport, however, were down by 21 per cent from £6.04m to £4.76m. Mr Brian Perry, chairman, said the international trailer, haulage and logistics businesses had done well, despite the recession in Germany and other continental countries.

It was insufficient, however, to offset weaknesses in HR Embassy, the UK-based general freight forwarding arm, which suffered from not being sufficiently large to benefit from economies of scale, Mr Perry said.

He hoped to move this part of the business out of loss but said it would never make large profits. New management had been installed. He added that although the business was not on the market, he would consider offers.

The third part of the transport business, the shipping service to the Falkland Islands, was severely affected by a drop in cargo movements to the south Atlantic.

Financial services saw profits rise from £5.24m to £5.65m. Mr Perry said this side of the business had strengthened in the second half of the year, as companies recovering from the recession increasingly purchased advice on pensions and employee benefits.

Group turnover was down at £153.8m (£172.7m) including £9.48m (£30.4m) from discontinued activities and £1.4m from acquisitions.

Earnings per share were 23.49p (14p). The proposed final dividend is increased by 8.75 per cent to 4.35p, bringing the total for the year to 7.1p, against 6.6p.

● COMMENT

Hogg Robinson is not helped by the widely-held perception that it is still a holiday company. In fact, this part of the business has since been renamed Going Places by its new owners, Airtours. Nor is it aided by its corporate perversity in managing to run a transport business which does well in recession-hit Germany and badly in the recovering UK. While the business of carrying goods to the Falkland Islands is improving, it is difficult to see its prospects are particularly exciting. The profit increase in financial services is less than impressive in a recovering UK corporate sector and the group will have to demonstrate that the improvement in the second half is sustainable. The only unambiguous good news is in business travel, where the UK upturn has shown through in buoyant profit figures.

Taking a position in the market

Unshackled from B&C, Exco is set to regain its listing, reports Simon Davies

Moneybroking is an industry the profitability of which seems to run in inverse proportion to its respectability.

It is the business which bankrolled British & Commonwealth, the financial conglomerate, on the ambitious path that ended in receivership, and which has underwritten Lord Hollick's high profile push into television, through MAI.

Yet, moneybrokers have tended to be the hidden source of vast cash flows, rather than the public focus of the holding companies which own them.

Moneybrokers act as intermediaries – primarily between the banks – in the trading of international and domestic deposits, derivative products, and foreign exchange, the world's largest traded market. The operators have also tended to build up fixed interest securities businesses.

The brokers write billions of dollars of transactions daily, in frantic trading rooms banked with screens and microphones, yet business risk is limited to client default, or mismatches. The companies do not take house positions in the markets.

The industry's reputation can be explained in part by the image of excess held by the foreign exchange trader, and staff costs are certainly high.

Exco, which is being floated this week by the administrators of British & Commonwealth, paid £109m in staff costs last year, or an average of £55,000 per head.

In addition, listed moneybroking businesses have had a somewhat chequered history.

However, the impending flotation of Exco is underlining the fact that the big players within the industry have not only survived the recession unscarred, but are seeing an explosion of profits.

There are four large broadly-based global players in moneybroking, MAI, Exco, Marshalls and Tullett & Tokyo, and then an enormous number of company's focusing on niche markets.

According to Mr Ron Sandler, chief executive of Exco: "The big are getting bigger, and the small are either getting increasingly specialised, or just smaller."

The victims within the industry have generally involved lack of breadth, disastrous diversification, or parentage problems.

Prebon Yamane was a core part of York Trust (renamed Babcock Prebon), which went into receivership in 1991, although moneybroking was not the focus of its problems.

Exco and Marshalls had turbulent ownership histories, but they both remained profitable. The most recent addition to the listed sector, Trio, has not rewarded subscribers to its flotation, but it is a smaller business, with a heavy concentration on dollar/D-Mark foreign exchange trading.

Mr Charles Gregson, MAI's deputy group managing director, said: "In a niche business, it is possible to set up in a garret with a few telephones and deal successfully, but to broaden the business requires a substantial investment in information technology and people." Both MAI and Exco spend some £8m a year on IT, which creates a considerable barrier to competition.

For the global players, the market has been far steadier. "The historic record speaks for itself. With the exception of a crash year in 1987, profits have grown every year in the last 20," said Mr Gregson, of MAI's moneybroking business.

The broader range of activities ensures a larger customer base for the global businesses, given the growing inter-dependence of money market products.

But ironing out the cycles is a important inducement to going global. For example, Exco's strong position in the Asian markets was affected by a slump in the Japanese banking sector, but this has been more than replaced by surging securities trading in the US. Japan is now recovering, while the securities markets may suffer a downturn.

Trevor Humphries

Increased volumes have more than made up for the loss of market share to direct trading by banks

The build up of capital adequacy regulations weakened the market for cash deposits, but this has been counterbalanced by activity in off-balance sheet products, such as forward rate agreements.

On the foreign exchange side, competition remains tight, and brokers have been losing market share to direct trading between the banks, and also, to a lesser extent, to the three automated trading systems.

The last detailed survey by the Bank for International Settlements, published in March 1993, showed that foreign exchange brokers' market share in the UK had fallen from 43 per cent in 1986 to 34 per cent in 1992.

However, increased volumes – more than $100bn per day in London by 1992 – have more than made up for the loss of market share.

In addition, derivatives, the third leg of the moneybroking business, has shown enormous growth. There is less competition for broking new products, and fatter profit margins can be achieved.

The fixed interest securities arms have had a fantastic 18 months, but with the turning of the interest rate cycle, "some of the steam may have been taken out of the securities market for the time being", according to Mr Sandler.

Further competition could also come from the threatened entry of Liberty into the UK gilts market. However, governments have had limited success in reducing their deficits, which should ensure that while volumes may fall to more sustainable levels, it will not be a dramatic decline.

Longer term growth for the moneybrokers should come from the development of new products, such as FRA options and swap options, and the brokers are also beginning to focus on emerging markets, such as China and India.

The moneybroking businesses of both MAI and Exco are expected to achieve double digit profits growth in the current financial year. Exco should further benefit from its release from the spectre of B&C, which is selling its 40 per cent stake in the flotation.

Caledonia Investments, a highly respected investment company, has demonstrated commitment to the industry by agreeing not only to retain its 27 per cent stake in Exco, but taking pre-flotation dividends in scrip form.

Exco exceeded investors' highest hopes during its six years as a listed company in the early 1980s, and it will struggle to match that performance second time around.

But Mr Gregson argues: "All the evidence suggests that there is still growth in these markets as the product range and the customer base increases, and new financial centres are established in developing countries."

Improved margins lift Business Post

By Andrew Bolger

Improved margins in the second half helped Business Post Group, the parcel and express mail company which came to the market last July, raise annual pre-tax profits by 26 per cent to £5.3m.

Sales for the year to March 31 rose by 24 per cent to £41.8m while operating profits advanced 11 per cent to £5.2m.

The shares, which came to the market at 120p, fell sharply after the group last November reported a decline in first half margins.

They closed 2p higher yesterday at 102p.

Mr Peter Kane, chairman, said the group had continued to win business from its competitors and saw a 20 per cent increase in operating profits in the second half.

"The improvement in margins in the second half has continued into the first two months of the current year and I am confident that we shall make further progress as the business develops," he added.

The group had suspended development of UK Mail, its door-to-door hand-delivery business, in recognition of the time it would take for the government to finalise plans for privatisation of the Post Office.

Earnings per share rose by 6 per cent to 7.5p (7.1p).

A proposed final dividend of 2.7p makes a 3.7p (2.9p) total for the year, a rise of 28 per cent.

Monarch strong as La Camorra gold is poured

By Kenneth Gooding, Mining Correspondent

Mr Michael Beckett, chairman of Monarch Resources, told the annual meeting that the company was in a strong financial position to fulfil its five-year strategy following the start-up of the La Camorra mine and the raising of $25m (£16.4m).

The company has gold mining and exploration operations in Venezuela but is listed in London. Following the cash raising it is also traded on the Toronto Stock Exchange.

Mr Beckett reported that the first gold was poured at the La Camorra mine in Venezuela on Friday following a two year $25m development programme. The mine, which has 400,400 troy ounces of gold reserves, is budgeted to produce an annual 81,000 ounces at an average cash cost of less than $125 an ounce.

The troublesome Revemin plant reported record production and profits in the first half. Its ability to continue this depended on being able to identify new sources of high-grade hard-rock or sands.

Trade Indemnity losses will not exceed £6m

By Richard Lapper

Trade Indemnity, the trade credit insurance company, expects to report net losses of no more than £6m, as a result of last week's appeal court judgment which ruled victims of poor financial advice were entitled to more compensation.

The court ruled on Friday that the Investors Compensation Scheme was wrong in using its discretion to limit compensation to investors in home income plans.

Trade Indemnity insured the scheme's liabilities in this matter on a policy underwritten in April 1990. Its "Special Underwriting Unit", which wrote the policy, stopped writing new business in November 1991 and the policy expired at the end of March 1992.

Gross losses, taking into account reinsurance recoveries, are expected to amount to £20m. An additional provision of up to £6m will be charged to the 1994 profit and loss account.

Chez Gérard completes Scotts buy

By David Blackwell

Groupe Chez Gérard, the restaurant company, yesterday completed its first acquisition since flotation last March, paying £380,000 for Scotts Restaurant in Mayfair.

Scotts, which specialises in shellfish and seafood, has just under 200 covers across 7,500 sq ft, making it the biggest restaurant in the group.

Mr Neville Abraham, chairman, said the purchase was in line with the group's declared strategy of investing in restaurants in central London.

It would be funded from the £3m raised by the flotation for acquisitions. Mr Abraham added that the group was looking for further expansion.

The flotation at 112½p gave the group a market capitalisation of £21m.

The shares closed down 3p yesterday at 98p.

NEWS IN BRIEF

ANGLO ST JAMES, commercial property developer; pre-tax profit £21,000 (£943,000 loss) for 1993. Earnings per share 0.01p (5.8p losses). No dividend (same).

BALDWIN has completed the disposal of Leading Guides to the Richbell Group for £314,000 cash. Leading Guides publishes a range of hotel, restaurant and pub guides.

BIRKBY has acquired the entire share capital of In Shops, issuing a total of 21.8m shares and increasing its shares in issue to 43.7m.

BLAGDEN INDUSTRIES: Rights issue has been accepted in respect of 25.2m shares or 97.3 per cent of the offer.

CELTIC GOLD, the mineral and exploration company, is offering I£13.5m (£13.2m) for Coyle Hamilton Group, the insurance broker, satisfied by I£2.65m cash and the balance in shares which would give Coyle holders about 73 per cent of the enlarged capital.

HARLEYSCREEN, the central London-based pathology laboratory company, has acquired Ravenscourt Laboratories, the west London wholly independent clinical trials specialist, from the Royal Masonic Hospital.

NEWS DIGEST

Clayhithe recovers to £1.06m

Despite a £1.2m provision to cover projected costs of restructuring, Clayhithe, the finance and management provider, returned to profits with £1.06m pre-tax for the year ended March 31, against losses of £366,000.

The provision, for engineering activities at Aylesbury, Bucks, compared with £500,000 last time. Turnover eased slightly to £35.5m (£35.9m) with continuing operations contributing £28.3m (£27.8m).

Losses per share were 0.8p (4.4p) basic; fully diluted, earnings improved from 0.2p to 1.6p. A final dividend of 1.875p lifts the total from 2.5p to 2.625p.

At the year end there were net cash balances of £4.3m, which have since increased to £6m.

Soundtracs shows 22% interim rise

Encouraging economic activity in the US helped Soundtracs, the USM-quoted maker of audio equipment, to increase first half sales by 29 per cent to £3.32m resulting in pre-tax profits up 22 per cent, from £251,000 to £307,000.

Mr Todd Wells, chairman, said that growth had been sustained in spite of flat sales in central Europe and disappointing results in Japan.

The result, for the six months to April 30, included a maiden full contribution from Spendor loudspeakers. Earnings per share were up 23 per cent to 2.05p (1.67p) and an unchanged interim dividend of 0.92p is declared.

Hewetson improves in second half

A recovery in the normally more difficult second half enabled Hewetson, the flooring and building materials company, to limit the fall in annual profits to 19 per cent.

The company added that the present year had started better with sales at higher levels and larger forward order books.

On turnover up from £28.6m to £31.2m, including £1.58m from an acquisition, pre-tax profits were £407,000 (£503,000). Earnings per share were 0.38p (1.36p), but an unchanged final dividend of 0.75p is recommended for a maintained total of 1.25p.

Hewetson said the results reflected difficult trading conditions during the early part of the year. It said a larger profit was made in the second half than in the first and had been a "significant improvement" on the corresponding period.

Volex targets Singapore subsidiary

Volex Group, the restructured electrical interconnection products and cable assemblies company, proposes to increase its stake in Mayor, its Singapore-based cable assembly manufacturing subsidiary, from 60 per cent to 75 per cent.

Volex is to purchase the additional shares for S$7.5m (£3.2m) cash from Mr Jay Pok, managing director of Mayor.

£10.3m buy-out at East Lancs Paper

East Lancashire Paper Mill has been acquired from British Syphon Industries and Scandinavian Securities in a £10.3m management buy-out backed by 3i and Midland Bank. The refinancing was arranged by Hambros Bank.

ELPM made pre-tax profits of more than £1m on sales of £29m in the 1993 year.

£808,000 turnround at Christie

Christie Group, the business services company, reported pre-tax profits for the year to March 31 of £106,000, against losses of £602,000. Turnover was slightly higher at £15.2m, compared with £15.1m.

Earnings per share came out at 0.45p (losses 2.75p).

The company said there had been a strong result at Christie & Co, but J Pinder and Venners Computer Systems incurred losses.

Andaman completes acquisitions

Andaman Resources, the Belfast-based mineral exploration company, has completed the proposed acquisition of Southern Roadmarkings and the 24.9 per cent holding in Fleet International.

Andaman will now operate from two divisions – one focusing on mineral extraction and exploration and the second concentrating on activities of an industrial or asset based nature.

Unilever makes South American buy

Unilever is broadening its food interests in Latin America with the agreed purchase, for an undisclosed sum, of Cica of Argentina, a privately-owned tomato-based products business.

The acquisition will restore the ownership and management of Cica of Argentina to Cica of Brazil, a Unilever subsidiary acquired in 1993.

Waverley Mining in £1.16m fund raising

Waverley Mining Finance, the Edinburgh-based investment company, proposes to raise £1.16m before expenses via the issue of 2m shares at 58p apiece. The shares closed unchanged at 57p yesterday.

The shares are to be subscribed by investment funds managed by GFM International Investors – a 99.5 per cent-owned affiliate of Metropolitan Life of New York.

Following the subscription, Waverley will have 22.3m ordinary shares in issue. Funds managed by GFM hold more than 2m Waverley shares.

First Italian investment trust

Fondigest, the Italian mutual fund manager, is to launch the Italian Renaissance Investment Trust, the UK's first single-country investment trust specialising in Italy.

Fondigest said that economic conditions in Italy were ripe for recovery, and the election of the pro-free market right wing coalition would also support economic growth.

The fund will have a bias towards smaller and medium-sized companies, which it said were under-researched but would be helped by new tax incentives.

A placing of the trust with institutions was under way; the public offer will run from July 8 to July 22.

Growth at BICC German offshoot

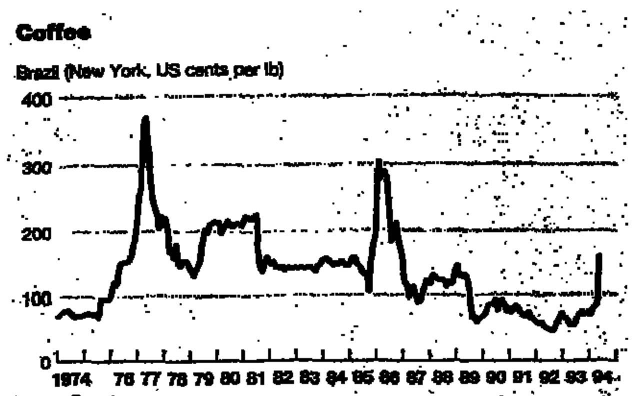
KWO Kabel, a wholly owned subsidiary of BICC, the cable company, increased turnover by 5 per cent last year despite falling domestic prices and continuing restructuring of its operations in Berlin.

The former state owned company, which BICC bought from the Treuhand privatisation agency in 1992 and which started full operations under BICC in early 1993, made operating profits of DM6.5m (£2.62m) on turnover of DM305m last year.

COMMODITIES AND AGRICULTURE

Coffee frost brings back chilling memories

By Alison Maitland in London and Patrick McCurry in Sao Paulo



Yesterday's meteoric rise in international coffee futures triggered comparisons with previous Brazilian frost dramas – and aspirations towards previous market records.

Ms Judith Ganes, softs analyst at Merrill Lynch in New York, had her eye on the all-time highs of the late 1970s. "It's too early to pinpoint, but people should be aware that *this market has the potential* to get there," she said.

"In the past we had a freeze and the trees were healthy. When you take a crop that hasn't been fertilised for four years and was unhealthy to begin with because of a lack of care, the damage could be untold."

The excitement was heightened by the fact that the crop damage has hit early, with a further six weeks to go when frost can occur in Brazil.

Ms Ganes was highlighting the lack of investment in world coffee production that has resulted from the five years of low prices that followed the collapse of market intervention measures in 1989.

The inability of coffee producers to respond rapidly to *the current shortfall* in world supply has fuelled the market's bull run this year. But prices still have a long way to go. Second position robusta coffee futures in London peaked at over £4,000 – or more than $7,000 a tonne at the prevailing exchange rate – in March 1977. Yesterday's surge took the second position to a day's peak of $3,150 a tonne, the highest level since November 1986 when it hit $3,700.

That gap is also reflected in retail coffee prices. A 100g jar of Nescafé in the UK, for example, *is still about 3p cheaper* than in March 1986, even after a 12½ per cent rise in January, according to its manufacturer, Nestlé.

Whether prices continue upwards will depend partly on the extent of the frost damage at the weekend, which could only be guessed at yesterday. It was described by one Brazilian broker as the worst since the "very grave" frost of July 1975, which triggered the rise in prices to all-time highs.

Next year's coffee harvest is *expected to be substantially* reduced but no clear figures are available yet, according to growers and brokers. Predictions yesterday ranged from a loss of fewer than 1m bags to as much as 5m bags. Production this year in Brazil, which accounts for around a quarter of world output, is expected to be about 24m bags.

Coffee broker Mr Eduardo Carvalhães Jnr said most of Brazil's important production areas in the states of Sao Paulo, Minas Gerais and Paraná were hit.

He said the 1995-96 and 1996-97 harvests would be smaller and the quality of the 1994-95 *coffee crop could be* affected. "It seems that some areas in Paraná were 100 per cent hit while parts of Sao Paulo lost 20-25 per cent."

Some of the sting has been taken out of Brazilian frost scares by the fact production has moved northwards since 1975. Whereas Paraná was once the main producer, it now accounts for 2m to 3m bags of annual output. Most production takes place in Minas Gerais state, southern parts of which have apparently been *badly hit by the latest frost.*

Moreover, although Brazil is the world's biggest producer, its dominance is much less than a decade ago.

None the less, the frost damage comes at a sensitive time for the world market. The International Coffee Organisation predicts a shortfall in world *supplies of about* 2m bags this year, compared with demand, and now says that "further drops [in supplies] are likely next year".

Supply tightness has led to a run-down in consumer stocks. The ICO estimates *these have* fallen by about 2m bags this year to some 15m bags.

How far the frost drives prices will also depend on how producer countries' stocks are released on to the world market, said Mr Lawrence Eagles, analyst at GNI, the London commodity brokers. The Brazilian government *is sitting on a stockpile* of 17m bags and further coffee is due to be released by other members of the Association of Coffee Producing Countries.

British growers size up the competition

Deborah Hargreaves reports on the post-Gatt debate at Cereals' 94, the premier UK grain event

The question in most producers' minds as they heard a debate between *rival suppliers at Cereals '94*, the premier UK grain event, this month, was summed up by Mr Alan States a US farmer. "What you all want to know," he said, "is whether we're going to out-compete you – but we're all in this together and the most efficient of us will survive."

Mr States who farms 4,000 acres (1,600) hectares on his own in Kansas, is one of the large US producers who will be competing head-to-head with his European counterparts on world markets as support prices are stripped away under the new General Agreement on Tariffs and Trade settlement.

He now makes the equivalent of £22 an acre profit to cover his fixed costs after getting a market price of £75 a tonne for his wheat plus government support of £18 a tonne.

His income per tonne puts Mr States near the top of the earnings scale for the international farmers polled at the seminar. Mr Oliver Walston, the British producer whose farm was the venue for the cereals show, reckoned that British farmers were getting £95 a tonne for their wheat *with an added subsidy of £30* a tonne.

That put British producers on a par with Mr Jeremy Talbot, who farms 451 hectares in New Zealand, producing 1,000 tonnes of wheat. He is being paid £120 a tonne by millers in his own country, where he receives no subsidies at all.

Mr Talbot said he was trying to adapt to the new unsup*ported market by growing spe*cialist crops for Asia such as Chinese mustard and Chinese cabbage.

But both Mr Talbot and Mr Peter Barclay, a wheat farmer from Nakuru in Kenya, had to fight hard against the dumping *of subsidised grain* from the European Union and US. "Wheat is pouring into Mombasa at $90 and $100 a tonne – we can't compete with those prices," said Mr Barclay.

'We don't care if the French want to increase their subsidies to farmers as long as they don't have to plant a crop to get it'

Mr States called for government aid to farmers to be completely decoupled from production – a direction in which both the US and EU are moving – as a way of getting *rid of* surplus output. "We don't care if the French want to increase their subsidies to farmers as long as they don't have to plant a crop to get it," he said.

Mr Esteran Artica, an Argentine wheat farmer, plans, however, to increase his output in coming years to take advantage of the new, more stable *climate in the country* now that inflation is under control. Mr Artica receives the equivalent of £80 a tonne for his grain without government support. He said he wanted to push Argentina as an organic farming area as many farmers could not afford artificial fertilisers.

One of Mr Artica's main expenses is the cost of sending his wheat to the nearest port *as* there are no trains near his 4,300 hectare holding. Similarly, Mr Roy Levee, a Canadian prairie farmer with 4,000 acres, 35 miles (56km) north of the US border, finds transportation costs eating into his income.

Mr Levee's farm is 1,000 miles from the nearest port at either Vancouver or Thunderbay on the Great Lakes and transport for wheat costs are $26 a tonne. The government funds $15 of the cost but pays *this directly* to the railroad, which Mr Levee believes subsidises inefficiencies of the rail operator.

The transport subsidy is the only government support received by Canadian farmers like *Mr Levee, who is getting* a payment of around £60 a tonne from his local grain elevator. This comes in the form of £45 a tonne outright with the rest to follow at the end of the season.

Mr Levee's short growing season with only 120 frost-free days a year and extreme heat in summer means he has a *yield of three-quarters of a* tonne per acre compared with Mr States' 1.1 tonnes per acre in Kansas and closer to 3 tonnes in the UK.

Mr Oliver Walston said he had simplified his production methods as much as he could to compete with low-cost producers overseas. He sold off a third of his 3,000-acre farm 5 years ago so that he could pay off debts. "It's very difficult to do that because every farmer wants to farm more acres," he said. "But I've seen so many producers all over the world in terrible trouble because they're too highly geared."

Mr Walston's fixed costs are now £120 per acre – £60 lower than 5 years ago – and he makes a profit of £150,000 a year.

"Everything will get much more competitive: you either compete by becoming large and extensive or intensify production in some sectors. There will be no place for a small farmer growing wheat."

Gold drops despite dollar's weakness

By Kenneth Gooding, Mining Correspondent

Gold prices dropped sharply in London and New York yesterday. *The precious metal closed* in London at US$385.70 a troy ounce, down $6 from Friday's close.

Dealers suggested that US investment funds started gold's slide by selling on the New York Commodity Exchange because they were disappointed that it had not reacted to a weakening dollar in the expected way – by rising sharply.

The funds began their latest foray into the gold markets on June 17 on Comex and their appearance in force lifted gold's price that day – and subsequently in London on the following Monday – to the highest level in three-months.

Mr Andy Smith, analyst at Union Bank of Switzerland, *said last night that the funds* had bought gold a week ago, betting that the price would go higher, while at the same time some producers had started to sell in the belief that the price had peaked.

It was also possible that the investment funds had been looking for second-quarter profits in the small and malleable commodity markets to offset first-quarter losses in bonds *and currencies.*

"The gold market is clearly at a turning point," said Mr Smith. "Only the small matter of its direction is unclear."

Copper price seen holding gains

By Kenneth Gooding

Copper's price will on average be at least $1 a pound ($2,204 a tonne) for the next ten years, suggests Mr Burgess Winter, president of Magma Copper, third-largest of the US producers.

He dismisses suggestions that a huge upsurge in output from new mines from 1995 onwards and the new low-cost solvent-extraction, electro-winning production process will drive down prices.

Not all the scheduled capacity will arrive on time, he says, and inevitably there will be interruptions to existing supply.

Magma expects copper *demand to rise by an annual* average of 2.3 per cent – and that would require a new mine the size of Escondida in Chile (400,000 tonnes last year) and a new smelter every second year, Mr Winter points out.

Nevertheless, Magma has taken the precaution of initiating a price protection programme that guarantees a minimum realised price of 84 cents a pound compared with $1.10 on the London Metal Exchange *yesterday. The programme* consists mostly of "put" options which allows the company to benefit from any rise above 84 cents.

Mr Winter says Magma wants to guarantee a floor price for 1995 output – no matter what happens to short-term copper prices – at a modest *cost of one cent a lb* because the company cab be sure of covering the cost of its $300m *Robinson mine in Nevada*, due in production early next year, without touching its $200m line of revolving bank credit.

In spite of Mr Winter's bullish price outlook, Magma has been driving down production costs so that by 1996 it expects to achieve cash costs of 50 cents a lb and full pre-tax costs of 70 cents. In the first quarter of 1994 Magma's cash costs were 59 cents.

Mr Winter's views on future *copper prices are not univer*sally supported.

For example, Mr Lawrence Eagles, analyst at GNI, argues that the copper industry is about to be transformed by solvent-extraction, electro-winning technology, which does away with the need for a smelter when an ore body *lends itself* to this treatment. He suggests that ultimately, the price of copper will fall *towards the marginal cost of* current production: $1,350 a tonne (61 cents a pound) as high-cost concentrate/smelter output is displaced.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1448-9	1477-8
Previous	1461.5-2.5	1490-1
High/low		1487/1475
AM Official	1454-5	1482.5-3.0
Kerb close		1478-9
Open int.	274,067	
Total daily turnover	50,238	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1446-52	1463-7
Previous	1455-65	1470-80
High/low	1466	1465
AM Official	1445-50	1468-70
Kerb close		1465-70
Open int.	2,852	
Total daily turnover	1,172	

■ LEAD ($ per tonne)

Close	532-3	550-1
Previous	543-4	560-1
High/low	540	558/550
AM Official	540-1	557.5-8.0
Kerb close		549-51
Open int.	37,428	
Total daily turnover	13,333	

■ NICKEL ($ per tonne)

Close	6165-70	6260-65
Previous	6350-60	6445-50
High/low		6435/6255
AM Official	6220-30	6320-30
Kerb close		6250-60
Open int.	57,446	
Total daily turnover	15,898	

■ TIN ($ per tonne)

Close	5350-60	5440-45
Previous	5460-70	5541-5
High/low		5560/5425
AM Official	5455-65	5535-40
Kerb close		5425-35
Open int.	17,023	
Total daily turnover	7,557	

■ ZINC, special high grade ($ per tonne)

Close	960-1	985-6
Previous	983-4	1007-8
High/low		1002/985
AM Official	972-3	997.5-8.0
Kerb close		985-6
Open int.	105,458	28,329
Total daily turnover		

■ COPPER, grade A ($ per tonne)

Close	2413-4	2433-3.5
Previous	2448.5-9.5	2467-8
High/low	2436	2470/2422
AM Official	2435-5.5	2455-5.5
Kerb close		2438-9
Open int.	227,953	
Total daily turnover	57,572	

■ LME AM Official £/$ rate: 1.5594
LME Closing £/$ rate: 1.5610

Spot: 1.5500 3 mths: 1.5482 6 mths: 1.5469 9 mths: 1.5457

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	110.10	-1.70	110.40	109.80	188	42
Jul	110.35	-1.40	111.20	109.20	14,455	3,290
Aug	110.85	-1.20	110.50	110.50	690	16
Sep	111.35	-1.00	111.90	109.80	31,098	7,396
Oct	110.90	-0.90	-	-	295	16
Nov	110.55	-0.80	-	-	243	4
Total					60,516	10,989

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	385.50-385.90	
Opening	390.20-390.60	
Morning fix	390.25	251.078
Afternoon fix	389.25	250.273
Day's High	390.30-390.70	
Day's Low	384.50-385.00	
Previous close	391.50-391.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.02	6 months	4.47
2 months	4.11	12 months	4.99
3 months	4.21		

Silver Fix	p/troy oz.	US cts equiv.
Spot	346.60	539.00
3 months	350.70	544.80
6 months	354.90	550.90
1 year	366.75	567.95

Gold Coins	$ price	£ equiv.
Krugerrand	395-398	254-257
Maple Leaf	396.15-398.65	-
New Sovereign	92-95	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	384.7	-6.4	389.2	384.2	645	439
Jul	385.1	-6.4	-	-	-	-
Aug	386.4	-6.5	391.9	383.9	87,038	36,989
Oct	389.4	-6.5	395.1	387.0	5,618	155
Dec	392.6	-6.5	398.2	390.3	26,401	1,024
Feb	398.2	-6.5	395.0	395.0	7,575	112
Total					162,030	39,758

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	397.5	-6.2	402.0	396.0	5,113	3,966
Oct	401.1	-6.6	408.0	399.5	15,298	4,185
Jan	403.6	-6.6	408.0	402.0	1,337	210
Apr	406.0	-6.6	411.0	405.0	1,245	73
Total					22,993	8,436

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	139.15	+0.20	-	-	15	4
Sep	139.15	+0.20	139.50	138.50	3,752	218
Dec	139.35	+0.20	139.25	138.75	877	63
Mar	139.35	+0.20	-	-	1	-
Total					4,649	285

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jun	524.3	-15.4	536.0	530.0	-	-
Jul	524.5	-15.5	540.0	523.0	35,308	27,442
Aug	527.4	-15.5	-	-	57,884	14,731
Sep	529.2	-15.7	545.0	527.0	19,913	1,288
Dec	536.4	-15.9	552.5	535.0	32	-
Jan	538.1	-15.9	-	-	6,260	34
Total					130,909	44,319

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	18.33	+0.01	19.54	19.25	91,712	30,091
Sep	18.80	-0.02	19.02	18.78	61,028	12,088
Oct	18.59	-	18.71	18.58	33,208	3,943
Nov	18.42	-0.01	18.44	18.40	29,098	1,471
Dec	18.32	-0.02	18.46	18.29	32,925	1,976
Jan	18.28	-0.01	18.25	18.25	16,858	704
Total					392,863	52,850

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	17.35	-0.03	17.58	17.31	70,049	12,622
Sep	17.18	-	17.38	17.13	31,427	5,012
Oct	17.09	-0.01	17.21	17.08	9,904	623
Nov	17.07	+0.02	17.14	17.00	6,489	472
Dec	17.09	+0.09	17.09	17.09	10,942	233
Jan	-	-	-	-	2,886	161
Total					138,500	19,182

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	50.30	-0.09	50.90	50.15	20,776	7,947
Aug	50.80	-0.11	51.30	50.40	30,870	7,947
Sep	51.35	-0.06	51.90	51.20	15,018	990
Oct	52.25	-0.06	52.70	52.20	11,271	276
Nov	53.20	+0.04	53.40	53.20	7,391	485
Dec	54.00	+0.04	54.25	53.90	15,791	376
Total					133,102	18,429

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	155.25	-0.50	157.00	155.00	28,414	5,589
Aug	157.75	-0.50	159.25	157.75	16,827	4,123
Sep	159.75	-0.25	161.00	159.75	8,859	1,789
Oct	162.50	-0.25	163.50	162.50	7,969	339
Nov	164.50	-0.25	165.50	164.50	5,392	567
Dec	166.00	-0.50	167.00	165.50	14,342	377
Total					91,889	12,893

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	2.160	+0.026	2.180	2.140	18,481	8,567
Sep	2.170	+0.022	2.185	2.160	11,582	1,282
Oct	2.185	+0.019	2.195	2.175	10,856	756
Nov	2.255	+0.015	2.260	2.255	10,986	377
Dec	2.352	+0.020	2.357	2.350	14,347	854
Jan	2.352	+0.012	2.355	2.350	10,551	124
Total					112,194	12,494

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	53.45	-0.52	54.15	53.35	24,311	13,939
Aug	53.90	-0.34	54.50	53.70	36,010	12,503
Sep	53.85	-0.24	54.40	53.75	13,805	3,267
Oct	52.40	-0.09	52.70	52.30	4,933	563
Nov	51.30	-0.12	51.50	51.25	4,739	500
Dec	55.50	-0.22	55.90	55.50	3,167	37
Total					88,102	30,952

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.25	-	-	-	457	-
Nov	103.20	+0.30	103.00	102.80	2,186	59
Jan	105.05	+0.25	105.00	105.00	1,388	20
Mar	106.45	+0.18	106.50	106.35	419	50
May	108.15	+0.10	108.00	108.05	400	25
Total					4,850	154

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	313/2	-1/6	314/6	309/4	54,125	24,740
Sep	322/2	-2/4	325/4	317/6	78,853	26,550
Dec	334/0	-3/2	334/4	329/2	118,305	26,970
Mar	337/4	-3/6	338/0	333/0	20,285	3,480
May	330/0	-3/2	330/0	328/0	335	5
Jul	321/0	-3/0	322/4	318/0	1,695	76
Total					272,880	82,615

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jun	1320	[illegible]	1325	1320	[illegible]	[illegible]
Jul	1295	[illegible]	1310	[illegible]	[illegible]	[illegible]
Aug	1295	[illegible]	1298	[illegible]	[illegible]	[illegible]
Oct	1358	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	1375	[illegible]	1375	1375	[illegible]	[illegible]
Apr	1355	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1326	1321

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	955	+7	975	955	11,197	2,031
Sep	976	+10	997	965	19,023	3,568
Dec	993	+10	1011	992	26,414	1,214
Mar	1013	+10	1030	1011	28,088	377
May	1024	+8	1030	1022	10,856	144
Jul	1034	+7	1042	1042	3,454	20
Total					108,882	7,362

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1247	-24	1246	1242	[illegible]	[illegible]
Sep	1278	-24	1305	1262	[illegible]	[illegible]
Dec	1319	-22	1353	1301	[illegible]	[illegible]
Mar	1350	-21	1422	1342	[illegible]	[illegible]
May	1374	-27	1445	1425	[illegible]	[illegible]
Jul	1395	-27	1400	1409	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Jun 24	Price	Prev. day
Daily	[illegible]	[illegible]
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Jun 24	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	12.20	-	12.20	12.20	60	10
Total					[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	2,571

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12,533
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,750
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	104
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1
Total					[illegible]	25,277

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,148
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,013
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,459
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	280
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	61
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
Total					[illegible]	7,601

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	387
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	440
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	115
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	66
Total					[illegible]	1,040

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	62.275	-0.875	62.750	61.750	34,299	4,906
Oct	66.550	-0.375	66.950	66.150	18,105	2,009
Dec	67.950	-0.550	68.500	67.560	10,770	899
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1450	53	95	33	53
1475	40	81	45	64
1500	29	70	59	[illegible]
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2400	84	120	47	103
2450	58	97	71	129
2500	38	78	101	159
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
2250	[illegible]	[illegible]	[illegible]	174
2300	[illegible]	[illegible]	[illegible]	192
2350	[illegible]	[illegible]	[illegible]	211
■ COCOA LCE	**Sep**	**Nov**	**Sep**	**Nov**
975	[illegible]	[illegible]	[illegible]	70
1000	[illegible]	[illegible]	[illegible]	83
1050	26	57	100	114
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1650	97	-	-	-
1700	-	66	8	52
1750	25	45	28	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)		+or-
Dubai	$16.04-6.13q	-0.04
Brent Blend (dated)	$17.33-7.35	+0.02
Brent Blend (Aug)	$17.38-7.40	+0.03
W.T.I. (1pm est)	$19.21-9.23	-0.035

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$165-167	+1.0
Gas Oil	$154-155	-1.0
Heavy Fuel Oil	$82-84	+2.0
Naphtha	$164-166	
Jet Fuel	$166-168	
Petroleum Argus Estimates		

■ OTHER		
Gold (per troy oz)♣	$385.70	-6.0
Silver (per troy oz)♣	538.60c	-12.0
Platinum (per troy oz.)	$400.75	-3.25
Palladium (per troy oz.)	$138.60	+0.25
Copper (US prod.)	117.0c	
Lead (US prod.)	35.75c	
Tin (Kuala Lumpur)	14.30m	-0.02
Tin (New York)	248.50c	-7.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	122.79p	-2.08*
Sheep (live weight)†♠	97.37p	-8.00*
Pigs (live weight)	80.83p	+0.43*
Lon. day sugar (raw)	$308.5	+1.8
Lon. day sugar (wte)	$360.5	-0.5
Tate & Lyle export	£311.0	
Barley (Eng. feed)	£100.6t	
Maize (US No3 Yellow)	$143.0	
Wheat (US Dark North)	£180.0	
Rubber (Aug)♥	79.25p	+1.0
Rubber (Sep)♥	79.25p	+1.0
Rubber (KL RSS No1 Jul)	280.50m	+2.0
Coconut Oil (Phil)§	$600.0z	-5.0
Palm Oil (Malay.)§	$485.0q	-20.0
Copra (Phil)§	$397	-9
Soyabeans (US)	£177.5w	+1.0
Cotton Outlook A Index	83.55c	
Wooltops (64s Super)	426p	+4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Jul/Aug z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

Tea

The Tea Broker's association reports. Strong and general demand. Bright East Africans and good mediums gained 5 to 8 pence while plainer mediums were fully firm. Central African teas proved a strong feature and often gained 5 to 10 pence. Ceylons attracted limited support with prices irregular and generally easier. Africans met good demand at firm to dearer rates. Ceylons came to a selective enquiry, mostly at lower levels where sold. Quotations best available 280p/kg nom, good 175p/kg, good medium 155p/kg, medium 126p/kg, low medium 93p/kg. The highest price realised this week was 335p for a Rwanda pd.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

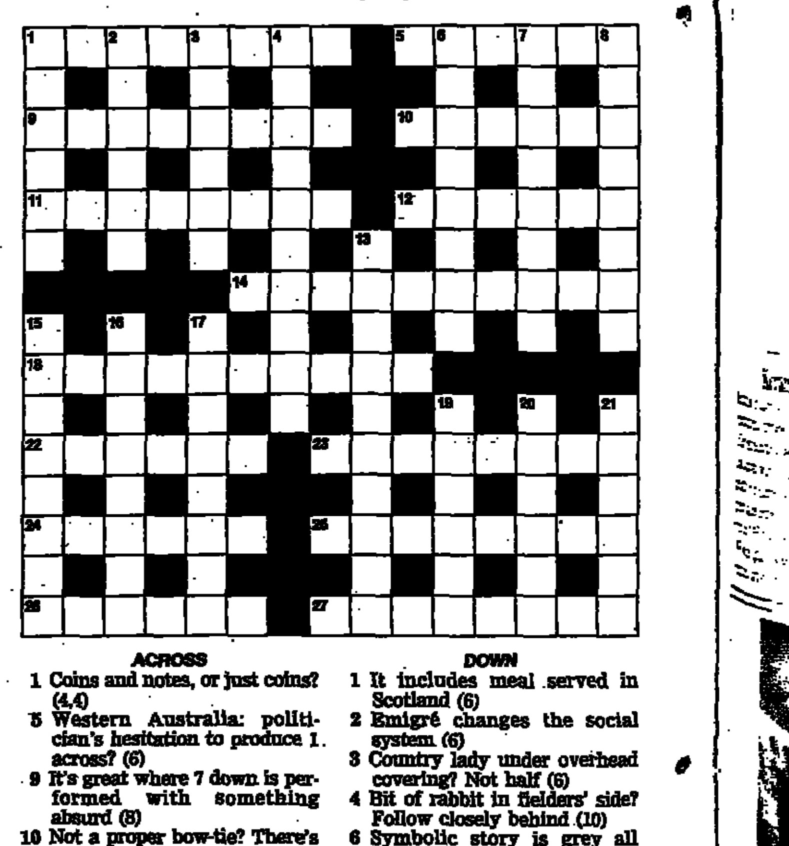
Jun 27	Jun 24	month ago	year ago
1993.7	1993.8	[illegible]	1665.4

■ CRB Futures (Base: 4/9/56=100)

Jun 24	Jun 23	month ago	year ago
228.98	230.41	[illegible]	205.69

CROSSWORD

No.8,491 Set by QUARK



ACROSS

1 Coins and notes, or just coins? (4,4)
5 Western Australia: politician's hesitation to produce 1 across? (6)
9 It's great where 7 down is performed with something absurd (8)
10 Not a proper bow-tie? There's impudent talk in study (6)
11 Unbecoming way in swirling mist (8)
12 SA rodent: silver deficient one (6)
14 Things of value making appropriate neckwear (10)
18 Re my name: OK to be used for one getting cash? (10)
22 Humid and oppressive, left to rusty tips (6)
23 Call to gather age returns in distribution (5-3)
24 Officer's standard (6)
25 Poet's game taking place, they say (8)
26 Man has year for selling church benefits (6)
27 Exceptional eastern spice ground with nearly everything (8)

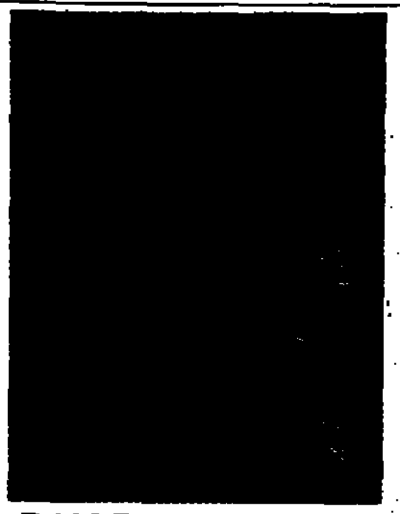
DOWN

1 It includes meal served in Scotland (6)
2 Emigré changes the social system (6)
3 Country lady under overhead covering? Not half (6)
4 Bit of rabbit in fielders' side? Follow closely behind (10)
6 Symbolic story is grey all round but different (8)
7 Dad's notes recorded on a big scale? (3,5)
8 Insect (South America) as part of log (8)
13 After dinner entertainer is unlikely to be this (10)
15 Very attractive people likely to break up? (8)
16 US citizens relatively personified (5,3)
17 The first element to annoy Henry with dog (8)
19 Cower at sound of bell in church (6)
20 Oban is unsuited for small trees (6)
21 Part of seat on a liner is not conforming to mode (6)

Solution to Saturday's prize puzzle on Saturday July 9.
Solution to yesterday's prize puzzle on Monday July 11.

Financial Times Annual Report Service

1



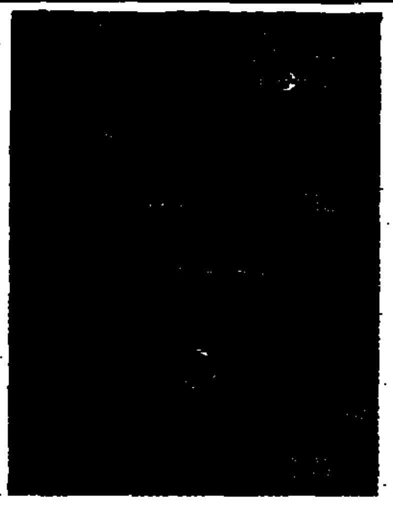
The British Petroleum Company plc

The British Petroleum Company p.l.c. is one of the world's largest petroleum and petrochemical groups. BP has three core businesses:

BP Exploration - oil and gas exploration and production.
BP Oil - refining, marketing, supply and transportation.
BP Chemicals - manufacturing and marketing petrochemicals and related products.

BP has well-established operations in Europe, the USA, Australasia and parts of Africa, and is expanding its presence in other regions, notably S.E. Asia, South America and the former Communist bloc.

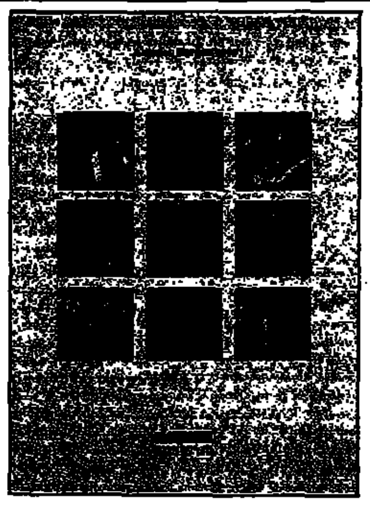
2



Methanex Corporation

Methanex Corporation is the world leader in the production and marketing of methanol. Through merger, acquisition and the establishment of marketing agreements, it now produces and markets approximately 21% of the methanol capable of being produced worldwide. Methanex is headquartered in Vancouver, Canada and has eight production facilities in Canada, New Zealand, the United States and Chile and sources additional production from plants in the United States, Europe and Trinidad. With marketing operations in Canada, Asia, the United States, New Zealand, Chile and Europe, Methanex services customers on a global basis and is well positioned to take advantage of the positive outlook for the methanol industry, based on continuing strong demand growth.

3



Kværner a.s

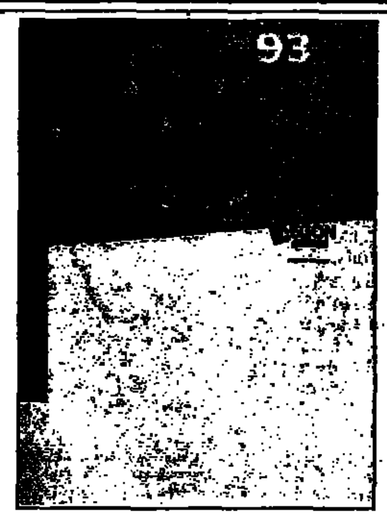
Kværner is an international group based in Norway. The group's main business areas are mechanical engineering, oil & gas installations, pulp and paper technology, shipbuilding and shipping. Operating revenue in 1993 totalled NOK 24.6 billion.

Consolidated pre-tax profit was NOK 1 319 million.

Kværner has 23, 420 employees.

Kværner is listed on the Oslo Stock Exchange, the London Stock Exchange and the Stockholm Stock Exchange.

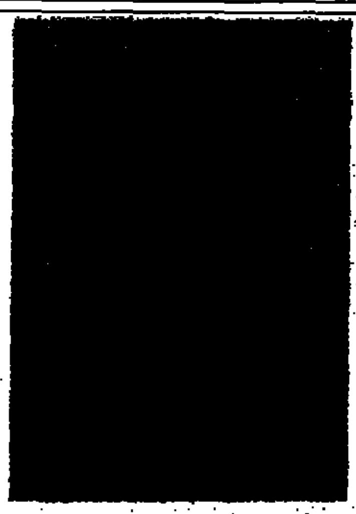
4



AEGON INSURANCE GROUP

November 30, 1993, marked the 10 year anniversary of AEGON's founding. Over its ten years history the AEGON Insurance Group has grown to become one of the world's leading international insurance groups, with assets totalling more than NLG 128 billion. Net income increased to over NLG 1.0 billion. Shareholder's equity was further strengthened to NLG 8.7 billion. AEGON's core business is life insurance and related pension, financial and investment products. Additionally, AEGON is active in health and P&C insurance, where these sectors offer prospects for long-term profitability and strengthen the position of its distribution networks. AEGON's most important markets are in The Netherlands, USA and Europe.

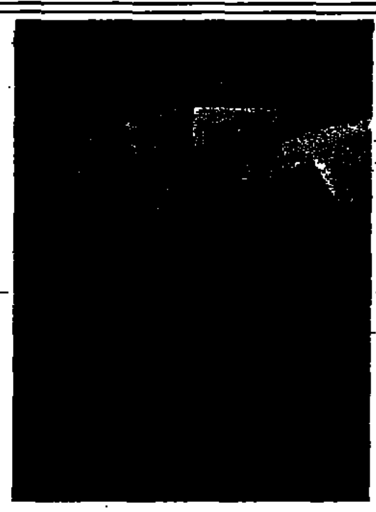
5



Skandia Insurance Company Ltd

Skandia Insurance Company Ltd is an international company operating in the insurance and financial services sectors. Since its founding in 1855, Skandia has been among the leading Swedish insurers. The group, which is based in Sweden, has the Nordic countries as its home market, with wholly-owned subsidiaries in Sweden, Norway, Denmark and Iceland. Outside the Nordic countries, Skandia operates primarily in the EU market and in the USA. Internationally, the principle orientation is toward continued growth in the fast expanding long-term savings sector. The group's total premium income 1993, including Skandia Life Insurance Company Ltd, amounted to SEK 54 billion. The balance sheet total 1993 amounted to SEK 239 billion.

6



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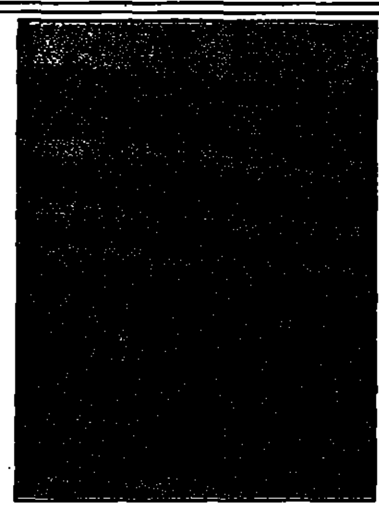


DAF Trucks N.V.

DAF Trucks N.V. concentrates on the development, production, sale and after-sales service of medium and heavy commercial vehicles. In the financial year 1993 (2 March to 31 December) the company made a net profit of NLG 10.8 million on a turnover of just over NLG 1.3 billion. With a risk capital of NLG 463 million and total assets of NLG 1,067.7 million, DAF Trucks N.V. has a solvency ratio of 43.4%.

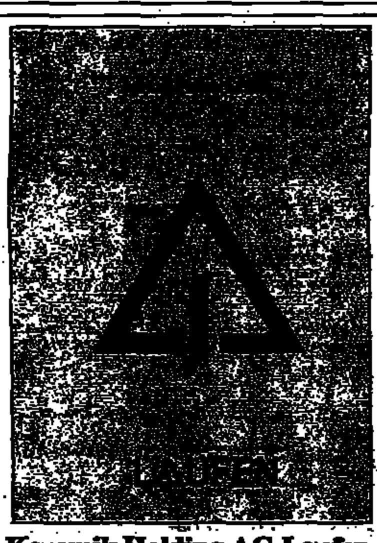
The 1993 annual report of DAF Trucks N.V. is available in Dutch, English, German and French.

8

Continental Aktiengesellschaft

The Continental Corporation ranks among the leading international manufacturers of tires and industrial products made from rubber and plastics: For tires, 1st in Germany, 2nd in Europe, 4th worldwide. Despite severe recession, lower exchange rates, and steep drops in automotive sales in 1993, Continental recorded net income of DM 65.1 million on sales of DM 9.37 billion. A dividend of DM 4 is planned. Extensive measures to streamline resources, cut costs, and deliver new systems and products substantially enhance Continental's earnings potential for 1994 and beyond.

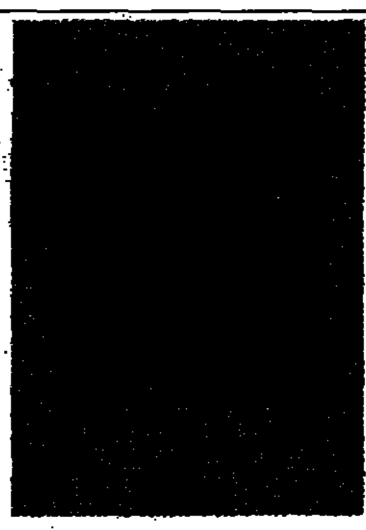
9



Keramik Holding AG Laufen

Keramik Holding AG Laufen is a Swiss holding company of a group of international companies in the field of ceramic products. The product range of the manufacturing and distributing companies goes from wall and floor tiles, sanitaryware, bricks and roof tiles to tableware. Operating companies are active in Europe, North and South America and Far East. Consolidated group sales increased in 1993 by 11% to CHF 812 million. The group profit in 1993 was CHF 35.4 million. Keramik Holding AG's dividend in 1993 was again 28% and underlines the solidity and competitiveness of a company active in the construction business.

10



BANCO TOTTA & AÇORES

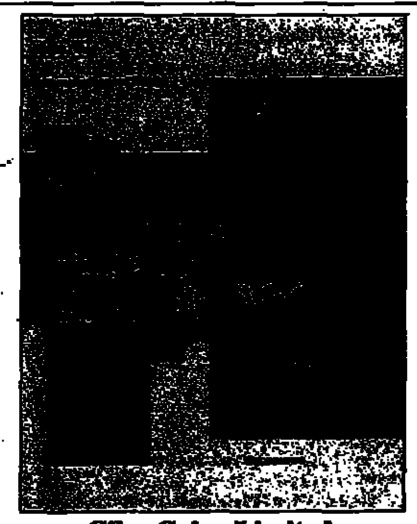
As it is today, Banco Totta & Açores is the result of mergers and acquisitions of several banks and finance houses over the years, dating back to 1843.

After 150 years Banco Totta & Açores became a leader in commercial banking in Portugal, but more than just a bank. TOTTA is now the true expression of a powerful financial group.

Despite unfavourable international conditions that marked the financial year under review, the performances achieved by the bank must be pointed out: Assets +14.3%; Net Profit +3.7%; Cash-Flow +26.3%.

Over the same period Solvency Ratio increased from 9.95 to 12.04.

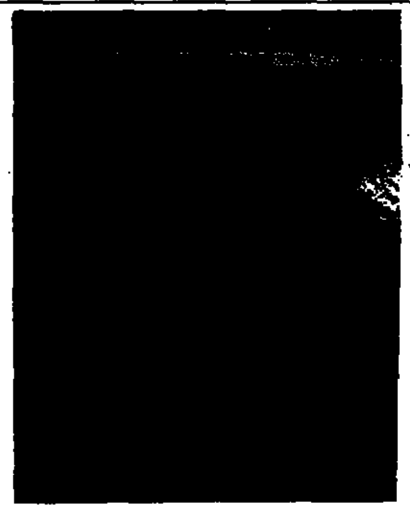
11



Ciba-Geigy Limited

Ciba, a leading world-wide biological and chemical group achieved sales of 22,647 million Swiss francs (plus 2 per cent). Net profit was up 17 per cent to 1,779 million Swiss francs. Profit has improved for the third consecutive year, despite the continuing recession in many markets and considerable changes in business conditions. Less than a third of the increase in profit can be attributed to the change of accounting system to International Accounting Standards.Over two thirds of the improvement was achieved through increased sales, further progress in productivity, and tighter asset management.

12



Atlantic Gulf Communities

Atlantic Gulf Communities (NASDAQ: AGLF) is a real estate development and management company with total assets of approximately $350 million. One of the largest Florida-based real estate developers, it owns approximately 73,000 acres in Florida and Tennessee. Atlantic Gulf began *its first international project utilizing its master development* expertise to design, develop and market approximately 3,800 acres within the City of Nanjing, China through a 50-50 joint venture with a quasi-governmental Chinese partner.

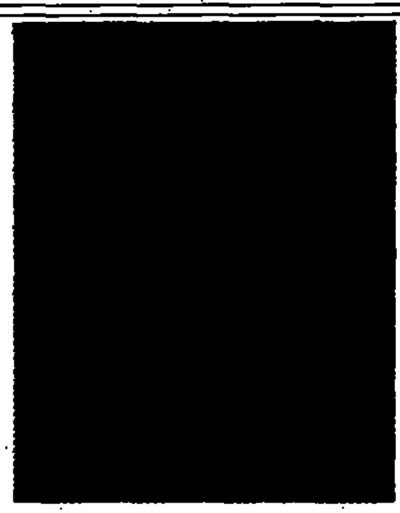
13

Electrowatt

Electowatt Ltd is a Swiss holding company of a group of *international* companies active in six fields of activity: electric utilities, electric power operations-engineering and contracting-security systems, building control, electronics. These companies have established significant or leading positions in their markets in Europe, North America and the Far East.

Consolidated sales have increased by 3% to Sfr. 4.7 billion in the 1992/93 financial year. Cash Flow grew by 24% to Sfr. 701 million and consolidated net income has risen by 28% to Sfr. 212 million. Return on equity amounts to 10.8%. 62% of sales are generated outside Switzerland, primarily in the EU.

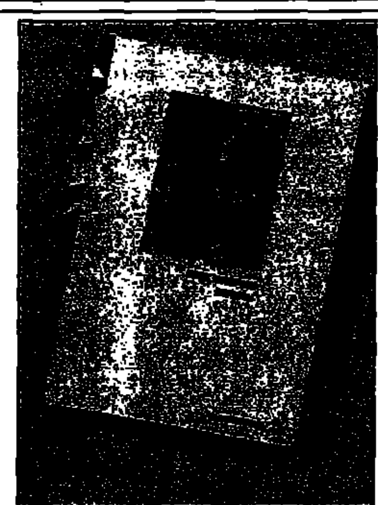
14



VICORP Restaurants, Inc.

VICORP Restaurants, Inc., headquartered in Denver, Colorado, operates or franchises approximately 420 mid-scale, family-type restaurants under the names Bakers Square and Village Inn, principally in the Rocky Mountain region, upper Midwest, Florida, Arizona and California. The Company is testing a new concept, "Angel's Diner & Bakery", and based upon its initial acceptance, several additional test sites are under development. Revenues for fiscal 1993 were $428.1 million.

15



VATTENFALL GROUP

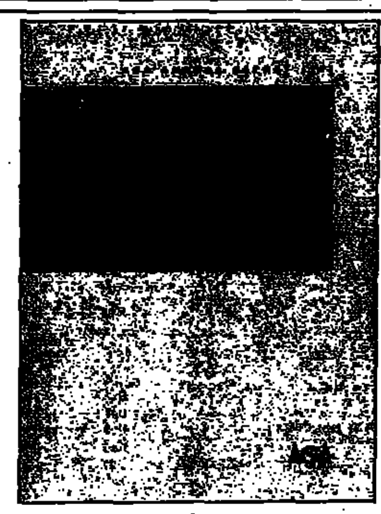
Vattenfall Group produces and delivers almost half of Sweden's total electricity requirements and is Europe's fifth largest power supplier. The Group generates its electricity almost exclusively through hydro and nuclear power plants.

Vattenfall's largest electricity customers are energy distributors, large industries and railways.

Vattenfall also provides advanced consulting and contract engineering services in the energy and related infrastructural sectors.

Operating revenues for 1993 amounted to SEK 24,232 M. Income before taxes and minority share was SEK 4,466 M. Return on equity was 17.9% and equity/assets ratio 31%.

16



AGA

AGA is one of the world's largest gas companies with sales in 32 countries in Europe, the US and Latin America.

Frigoscandia is the world leader in the freezing, storage and temperature-controlled transport of food.

The associate company Gullspångs Kraft is one of the largest power producers in Sweden.

The Financial Times Annual Report Service is appearing on 28, 29, 30 June & 1 July 1994

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8 ☐ Continental Aktiegesellschaft
9 ☐ Keramik Holding AG Laufen
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Financial Times Annual Report Service

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market rallies behind firmer gilts

By Steve Thompson

Worries that continued turbulence in international currency markets would trigger another wholesale retreat by the London stock market were proved wrong yesterday. The market shrugged off an *initial bout* of selling and moved ahead strongly in the wake of a firm gilt-edged market and a good opening performance by Wall Street.

The FT-SE 100 Index finished another tense trading session a net 23.3 higher at 2,899, *having penetrated* the 2,900 level in mid-afternoon. At the outset, the index looked set to threaten the 2,800 mark as investors fretted about the current crisis in foreign exchanges where the US dollar has come under heavy selling pressure.

The market rally was generally *confined to the front-line stocks*; second tier issues came under continued pressure withc the FT-SE Mid 250 Index down 10.8 lower at 3,363.4.Share prices began the day under pressure with marketmakers reacting to the big late sell-off of *stocks and bonds* on Wall Street late on Friday, chopping their opening prices for the leading FT-SE 100 and Mid Cap stocks. Sentiment was also hit by the big slide in Japanese share prices on Monday after the shock resignation of the Japanese *Prime Minister*.

Taking its cue from the gilts market, where long-dated stocks were down more than a half-point in very early trading the FT-SE 100 index was down almost 32 points at 28,44.7 within 30 minutes of the opening of *business, as the dollar moved to its* lowest levels against the Japanese currency since the Second World War. The rally in gilts was attributed to a more confident feeling in currencies *as well as buying ahead* of tomorrow's auction of £2bn of floating rate gilts.

But with no signs of any institutional selling pressure evident in the equity market and with gilts beginning to rally in the wake of a *shift in sentiment in the foreign* exchange markets, share prices *gradually clawed their way back as* the session wore on.

The FT-SE 100 reached positive ground just after midday and thereafter moved ahead fairly comfortably, reaching the day's high point of 2902.2, up 25.6 before slipping off *its best level just before the close.*

While acknowledging the UK stockmarket's better tone yesterday, senior marketmakers remained extremely nervous about the market's potential for further big losses. "There were big movements in *share prices both ways and the mar*ket is looking increasingly disjointed. This market could still fall to 2,800 in the very short term," said a marketmaker at one of the top UK integrated securities houses.

He added that European bourses *and far eastern markets had per*formed badly and the lack of con*sistency* in international markets remained one of the biggest worries to traders.

Activity in UK equities remained very poor with turnover totalling only 463.2m shares, raising the possibility that the big investment *institutions* may not return to active trading in the market until the third quarter of the year. Non-FT-SE volume accounted for over 58 per cent of the total.

The value of customer business in the market last Friday dipped below the £1bn mark for the third time in a week, totalling only £920.9m.

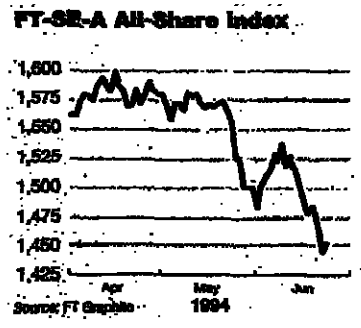
Newspaper shares were again the centre of attention as the market responded to comments from Mr Conrad Black, proprietor of the Telegraph that the cost of the price *cutting* war could be less than been feared.

Account Dealing Dates

*First Dealings: Jun 20	Jul 4	Jul 18**
Option Declarations: Jun 30	Jul 14	
Last Dealings: Jul 1	Jul 15	rolling
Account Day: Jul 11	Jul 25	Aug 1

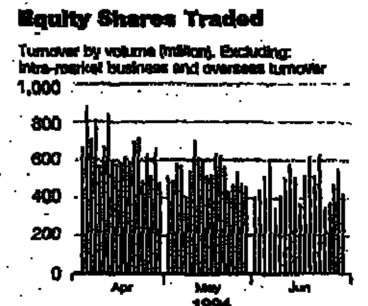
*New time dealings may take place from two days earlier. **New 10-day settlement system starts

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	2899.9	+23.3	FT Ordinary Index	2255.5	+14.9
FT-SE Mid 250	3363.4	-10.8	FT-SE-A Non Fins p/e	18.54	(18.46)
FT-SE-A 350	1459.3	+8.0	FT-SE 100 Fut Sep	2911.0	+47.0
FT-SE-A All-Share	1452.08	+6.23	10 yr Gilt yield	8.57	(8.79)
FT-SE-A All-Share yield	4.07	(4.08)	Long gilt/equity yld ratio:	2.13	(2.15)

Best performing sectors		Worst performing sectors	
1 Tobacco	+4.6	1 Oil Exploration & Prod	-1.4
2 Insurance	+1.8	2 FT-SE SmallCap	-1.0
3 Electricity	+1.2	3 FT-SE SmallCap ex IT	-1.0
4 Diversified Inds	+1.2	4 Health Care	-0.9
5 Extractive Inds	+1.1	5 Distributors	-0.9

Changes at top hit Reed

A shock announcement that Mr Peter Davis, the chairman of Reed International, had resigned following what is widely seen as a power struggle within the group saw the shares slide 41p in early trading.

The official company statement pointed to a clash of management styles and follows a shift nine months ago when Mr Davis was appointed co-chairman, with the executive role taken by the management committee.

City analysts saw the stock's performance as a tribute to Mr Davis's management skills. One commented: "If a company's share price is doing badly it is easy to blame the management, and when it is doing well it has to be worrying that the principal player leaves." Over the past 12 months the company has outperformed the FT-A All-Share Index by about 12.5 percentage points. In late trading, Reed rallied with the market but still ended a net 9 off at 741p, with turnover unusually high at 3.8m. Elsevier shares were also marked down sharply in Amsterdam.

Newspapers up

The Telegraph rebounded as *it fought to minimise the effect of the recent price cut which* last week poured fuel on the smouldering newspaper price war.

Chairman Mr Conrad Black was reported to be considering taking the newspaper back into private hands if the shares fell further. More controversially, he claimed that the drop in profits from the price reduction would be limited to no more than £5m to £10m a year.

Elsewhere, there was widespread relief that middle market newspapers Daily Mail and Daily Express had resisted the pressure to cut their cover prices and had taken the less expensive promotional path. Daily Mail Trust "A" shares bounced 23 to 893p and Express parent United Newspapers recovered 18 to 498p.

Rolls-Royce sold

Aero engine manufacturer *Rolls-Royce* fell 6 to 168p, after volume of 4.7m, as several broker's advised investors to sell the stock. The list of sellers was said to have included SG Warburg and Strauss Turnbull, both believed to have advised investors to switch into British Aerospace.

Rolls had, until recently, been one of the best performing stocks in the market this year. However, a feeling that the shares had ran too far ahead emerged in recent sessions.

A lacklustre presentation to analysts last week brought a further retreat with researchers concerned about the rating of the stock, and poor order *flows* particularly for spares. BAe put on 5 to 450p, after trade of 1m shares.

Tobacco to insurance conglomerate BAT Industries rose 17 to 389p on speculation that the company might pull out of a $1bn deal to buy the cigarette arm of American Brands. The company denied the speculation and a number of experienced market professionals were sceptical.

However, hopes that the company might have an escape route away from an environment of increasingly tight legislation against the tobacco industry gave comfort to the market.

Chemicals group ICI lifted 14½ to 765p as the company arranged trading update meetings with analysts following its *successful presentation last* week.

Composite insurers recovered sharply with the help of a certain amount of institutional buying. The stocks also responded to a bounce in gilts; most of them hold more than 50 per cent of their investments in the government bond markets.

General Accident lifted 16 to 552p and Royal Insurance rose 10½ to 252p.

Cadbury Schweppes which has underperformed the market by about 11 per cent in the last month, was held back to a rise of only 2½ to 415p as NatWest Securities reiterated its caution on the stock. The house said: "Whilst Cadbury is keen to reassure the market that profit expectations are still justified there do seem to be a number of chinks in the armour which justify further caution on the stock."

A UK analysts visit to some of Grand Metropolitan's US food operations helped the shares harden 5 to 380p, as 4.5m shares were dealt.

House builder Higgs & Hill fell 4 to 100p after announcing that its £22.2m rights issue was only a third taken up by shareholders. It said in May it planned to raise the money to buy house-building land on 13 sites. Higgs & Hill shares have fallen nearly 25 per cent since the rights announcement, partly reflecting the recent weakness in the sector. In April, housebuilder Redrow Group (off 5 at 108p) scaled back flotation plans in the light of the slack demand.

Leading chemicals group ICI lifted 14½ to 765p as the company arranged trading update meetings with analysts following its successful presentation last week.

High street retailer Dixons gave up 7½ to 179p, with Goldman Sachs said to be negative on the stock. The group reports figures a week tomorrow. Nervous trading in Vendome ahead of figures on Friday, left the shares 5 lighter at 449p.

Associated British Foods fell 5 to at 501p after investment bank BZW pointed out that the *recent decline in UK gilts may* soon force broker's to revise profit expectations if there is no recovery. The group has substantial investments in gilts.

Tate & Lyle improved 2 to 404p after reassuring the market that its recent purchase of a 61.3 per cent holding in Orsan which received approval from the French, Belgian and German authorities, will not dilute earnings per share. *Hazlewood* shrugged off recent weakness, rising 2 to 131p.

Vickers advanced 4 to 175p, ahead of an analysts' visit to its Challenger 2 tank factory in Leeds.

Motor dealer Lex Service relinquished 8 to 416p, with James Capel said to be negative on the stock.

Profit-taking after the recent strong run in Airtours together with worries of overcapacity in the package holiday market left the group's shares trailing 15 to 473p. Airtours reported losses of £17.6m, in line with market expectations, but analysts upgraded profit forecasts for the full year.

Advertising group WPP fell 3 to 99p on Sunday newspaper reports that it had shelved a *planned $400m flotation.*

An oil find in China by the Exploration Company of Louisiana saw the company's shares lift 16 to 105p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (9).
CHEMICALS (1) Wolstenholme Rink, ELECTRNC & ELECT EQUP (2) Pleasurama, TGI, OIL EXPLORATION & PROD (1) Bridge Oil, SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (2) Howtal Whiting, Sanderson Elect., TRANSPORT (1) P & O 5 1/2pc. Rd Non-Cum Pfd.
NEW LOWS (642).
GILTS (2) BANKS (9) ANZ, Allied Irish, Espirito Santo, HSBC HK, HSBC, Lloyds, Natl. Australia, TSB, Westpac, BREWERIES (10) Bass, Boddington, Fosters, Greenalls, Greene King, Marston Thompson, Paramount, Scottish & Newcastle, Vaux, Whitbread, BUILDING & CNSTRN (21) BLDG MATLS & MCHTS (18) CHEMICALS (6) AGA AB, British Vita, Dostlex, Laporte, Wardle Storeys, DISTRIBUTORS (14) DIVERSIFIED INDLS (15) ELECTRNC & ELECT EQUP (14) ENGINEERING (30) ENG, VEHICLES (6) BBA, Do 6½pc Prf, Benson, Daimler-Benz, Ingham, Lucas, Do Wts., Mid-States. EXTRACTIVE INDS (15) FOOD MANUF (11) Albert Fisher, Assoc. Brit., Cadbury Schweppes, Canadian Pizza, Dalgety, Devro Intl., Hillsdown, Northern Foods, Perkins, Sims, Unilever, GAS DISTRIBUTION (1) Calor, HEALTH CARE (16) HOUSEHOLD GOODS (4) Black (P), Fine Decor, Reckitt & Colman, Do 9½pc Cv., INSURANCE (20) INVESTMENT TRUSTS (220) INVESTMENT COMPANIES (15) LEISURE & HOTELS (9) Alpha Airports, Barr & Wallace Arnold, Euro Disney, First Leis., Friendly Hills., Groupe Chez Gerard, Magnolia, Quadrant, Rank Organ. 8½p Prf., LIFE ASSURANCE (2) Britannic, Utd Friendly B, MEDIA (12) MERCHANT BANKS (6) OIL EXPLORATION & PROD (3) Energy Equity, Villiers, Oil., INTEGRATED (2) Chevron Cpn., Exxon, OTHER FINANCIAL (16) OTHER SERVS & BUSNS (2) Cape Range, General Motors Units, PHARMACEUTICALS (3) Celltech, Huntingdon Intl., Proteus Int'l., PRTNG, PAPER & PACKG (9) PROPERTY (34) RETAILERS, FOOD (6) ASDA, Budgens, Geest, Iceland, M & W, Regina, RETAILERS, GENERAL (16) SPIRITS, WINES & CIDERS (2) Bulmer(HP), Grand Met., SUPPORT SERVS (21) TELECOMMUNICATIONS (6) TEXTILES & APPAREL (9) TOBACCO (1) Rothmans Int'l. Uts., TRANSPORT (16) WATER (5) North West, Northumbrian, Severn Trent, Southern, Wessex, AMERICANS (18) CANADIANS (13).

EQUITY FUTURES AND OPTIONS TRADING

A strong rally in international bond markets reversed an initial poor performance by index futures yesterday, *writes Steve Thompson.*

The September contract on the FT-SE 100 index began the session under intense pressure around the 2,859 level, with marketmakers already positioned to see the cash market fall to 2,800 and reacting to an early sell-off in the gilt-

But with no fresh crisis developing in currencies, where the dollar bounced from *its lowest level against the* Japanese currency since the Second World War, a firmer trend in bonds produced a similar performance in the futures.

After reaching a session *low-point of 2,852,* September rallied to the day's high point of 2,917, before ending the session at 2,912.

Turnover in the FT-SE future was an unremarkable 16,681 contracts.

In a fairly pedestrian traded options sector one of the London market's biggest agency brokers bought 3,500 September 2,825 calls in the FT-SE 100 option. Elsewhere, activity was relatively light with Land Securities the most active stock option with 1,354 contracts traded, followed by SmithKline Beecham "A", with 1,174 lots dealt and Ladbroke where turnover reached 1,000 contracts.

Total volume at the close was 31,818 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2859.0	2911.0	+47.0	2917.0	2852.0	16678	52095
Dec	-	2920.0	+47.0	-	-	0	952

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3340.0	3350.0	-10.0	3350.0	3340.0	209	4099

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3349.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2900) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	6,400	60½	-2
Abbey National†	1,100	395	+5
Albert Fisher	280	48	-1
Allied-Lyons†	2,000	565	+3
Anglian Water	195	464½	+6½
Argos	161	337½	-1
Argyll Group†	1,100	232	-1
Arjo Wiggins†	308	232	+5
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT - SE Actuaries Share Indices

The UK Series

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	8	6
Other Fixed Interest	2	0	13
Mineral Extraction	16	121	82
General Manufacturers	80	309	271
Consumer Goods	28	95	69
Services	38	253	218
Utilities	19	14	12
Financials	53	195	125
Investment Trusts	24	291	154
Others	5	102	23
Totals	321	1388	953

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	June 13	Last Declarations	Sept 15
Last Dealings	June 24	For settlement	Sept 26

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

BANKS

Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Abbey National ...NC	398	+5	523	381	[illegible]	4.4	19.3
Anglo Irish I£ ...	69xd	—	70	50	172.1	6.6	9.1
9¼pc Pf	116¼	+½	141½	114	116.2	9.9	–
9¾pc Pf	121¼	+½	148½	119¼	121.2	10.1	–
Barclays ...♣NC	526	+5	640	467	[illegible]	3.8	21.8
HSBC HK ...NC	690	–2½	1130	684	[illegible]	4.3	10.0
HSBC (75p Shs) ...NC	670	–4	1115	665	[illegible]	4.4	9.7
Lloyds ...NC	522	—	680	521	[illegible]	5.3	11.0
NatWest ...NC	447	+6	622	421	7,438	6.2	10.2
7 3/4pc Pf	91½	+1	106½	88¼	91.5	10.1	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

AMERICANS

OTHER FINANCIAL

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

RETAILERS, FOOD

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27¼	—	£27½	£13½	1,774	2.7	19.9
Barlow	2	843/4xd	-3/4	[illegible]	[illegible]	908.0	0.7	–
Gold Flds Prop R		105	-1	105	75	10.7	9.5	9.3
NK Props	3	85	—	95	85	3.42	10.5	34.9
SASOL	♥	321	-24	392	280	1,819	4.8	–
SA Brews		£11½xd	-1/8	£15⅞	£10	6,228	2.4	19.0
Tiger Oats	†	[illegible]	-31	[illegible]	538	908.9	2.5	13.2
Tongaat-Hulett		662	-27	791	494	617.9	2.2	19.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Dividend yield includes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. H Figures based on IMR "Headline Earnings". P Figures based on prospectus or other official estimates.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3225 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the *FT Managed Funds Service*.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

Scottish Provident Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Central banks hold fire

Foreign exchange markets were caught in a stalemate yesterday as participants waited for a repeat of Friday's central bank support of the dollar which failed to materialise, *writes Philip Gawith.*

The dollar remained very weak and closed in London at Y99.865 *against the yen,* from Y100.9 on Friday. Earlier the US currency had touched a post-war low of Y99.50 during Japanese trading.

Against the D-Mark the dollar finished at DM1.5758, more than two pfennigs down on Friday's *close of DM1.5972.*

Despite the dollar's weakness, it avoided going into free fall as some had feared and this lent support to bond and equity markets.

Many observers had expected central banks to continue Friday's intervention, but others said that the failure of their earlier efforts had forced them to pause and reassess their objectives.

In Europe, meanwhile, the D-Mark fell victim to profit-taking as investors cashed in on the currency's recent bout of strength on the back of the weak dollar.

The Belgian franc, Spanish peseta and Portuguese escudo all finished firmer against the D-Mark, but it was stronger against the French franc and the Italian lira.

■ Traders reported that the only central bank intervention in support of the dollar came from the Bank of Japan during Japanese trading. Market estimates were that the BOJ spent *$750m-$1bn supporting the currency,* but to little avail.

The dollar's woes were aggravated over the weekend by the resignation of Mr Tsutomu Hata's eight-week-old minority coalition. The departure of the prime minister raised doubts about whether the US and Japan would be able to reach an accord over trade issues at next week's G-7 summit in Naples.

Mr Steve Hannah, director of research at IBJ International in London, said intervention was probably a "waste of time" given the skittish state of market sentiment where signals were likely to be misinterpreted. "The market is going through quite a frantic period and reassessing its views about the dollar," said Mr Hannah.

He *pointed out that failed* intervention, such as on Friday, was worse than inactivity because sentiment was adversely affected by a failed attempt to arrest the dollar's decline.

The IBJ analyst said the *central banks would probably let* the market turmoil run its course for a while before acting again. He predicted that they might wait until late July or August before acting.

But Mr Avinash Persaud, head of currency research at JP Morgan in Europe, said central banks might act this week "to restore their battered credibility after Friday's debacle." He predicted that they would *fail unless such a move came* in tandem with a strong signal on interest rates.

The danger, said Mr Persaud, was that central banks would see intervention as a substitute, rather than a complement, for higher rates.

Most observers agree that central bank concern is rooted not in dollar weakness in itself, but in the ramifications that this might have for financial *markets and the world economy* in general.

Mr Hannah disputes the view held by some in the market that US and German authorities are unconcerned about dollar weakness. He said there was a danger of a "free fall" scenario whereby a sharp fall in the dollar translated into higher US inflation, higher US interest rates and a general brake on world economic recovery.

In this case Germany, in particular, would have a lot to lose since its recovery is still in an early stage. Mr Helmut Kohl, the German chancellor, will also be mindful of the *possible political damage he could* suffer in October's national elections, should the economic recovery falter.

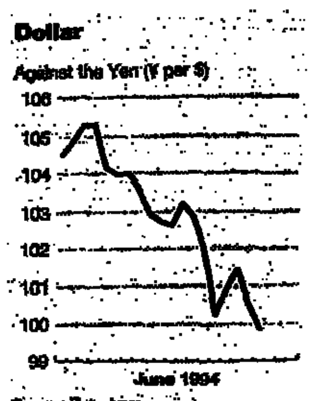
■ Prices in the interest rate futures market were volatile, while volume was fairly subdued. *Sentiment in short sterling* was buoyed by the positive showing in gilts, and the back-month contracts were particularly well bid. The December future traded nearly 18,000 lots to finish at 93.73, two basis points up on Friday's *close, but ten basis points* above the low for the day of 93.63. The December 1995 contract closed at 91.52, 18 basis points above where it started the day.

The December euromark contract traded nearly 18,000 *lots to close four basis points* firmer at 94.89.

In the German money markets, call money traded slightly higher at 4.90/5 per cent, from 4.85/4.95 on Friday, as banks sought funds ahead of end of month reserve requirements and pension payments.

In the UK money markets the Bank of England provided £671m assistance compared to a forecast shortage of £650m. Overnight money traded between 4 and 5 per cent.

■ Sterling finished at DM2.4498, more than a pfennig and a half weaker against the D-Mark. Against the dollar, it finished higher at $1.5547 from $1.5422. The market ignored newspaper reports that the chancellor will today raise his growth forecast for the economy.



Source: Datastream

■ Pound in New York

Jun 27	Latest	Prev. close
£ spot	1.5475	1.5525
1 mth	1.5468	1.5518
3 mth	1.5459	1.5506
1 yr	1.5415	1.5450

■ OTHER CURRENCIES

Jun 27	£	$
Hungary	157.853 - 157.888	101.430 - 101.486
Iran	2701.00 - 2708.00	1748.80 - 1750.00
Kuwait	0.4595 - 0.4695	0.2950 - 0.2955
Poland	34608.5 - 34670.9	22265.0 - 22295.0
Russia	3072.88 - 3075.99	1976.00 - 1978.80
U.A.E.	5.6877 - 5.6992	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2826	-0.1367	543 - 706	17.5776	17.2312	17.2588	0.2	17.2532	0.2	-	-	114.6
Belgium	(BFr)	50.4532	-0.3144	324 - 739	50.6850	50.4324	50.4432	0.2	50.4982	-0.4	50.5182	-0.1	116.3
Denmark	(DKr)	9.6252	-0.0518	188 - 315	9.6741	9.6188	9.6329	-1.0	9.6467	-0.9	9.6806	-0.4	116.3
Finland	(FM)	8.1322	-0.0452	223 - 420	8.2850	8.0700	-	-	-	-	-	-	81.6
France	(FFr)	8.3985	-0.0394	946 - 022	8.4358	8.3946	8.4018	-0.5	8.4073	-0.4	8.4030	-0.1	109.3
Germany	(DM)	2.4498	-0.0132	485 - 511	2.4682	2.4481	2.4497	0.1	2.4486	0.2	2.4287	0.8	125.3
Greece	(Dr)	370.952	-1.565	545 - 358	372.745	370.045	-	-	-	-	-	-	-
Ireland	(I£)	1.0130	-0.0034	120 - 139	1.0188	1.0088	1.0134	-0.4	1.0142	-0.5	1.0154	-0.2	104.9
Italy	(L)	2416.86	-6.31	634 - 098	2431.06	2416.94	2425.56	-3.3	2438.66	-3.3	2489.31	-2.9	78.9
Luxembourg	(LFr)	50.4532	-0.3144	324 - 739	50.6850	50.4324	50.4432	0.2	50.4982	-0.4	50.5182	-0.1	116.3
Netherlands	(Fl)	2.7487	-0.0144	472 - 502	2.7619	2.7437	2.7487	0.0	2.7476	0.2	2.7283	0.8	120.1
Norway	(NKr)	10.6753	-0.0476	710 - 796	10.8798	10.6221	10.6697	0.6	10.6822	-0.3	10.6734	0.0	88.2
Portugal	(Es)	251.979	-2.784	797 - 160	254.938	251.741	252.954	-4.6	254.899	-4.6	-	-	-
Spain	(Pta)	202.088	-2.016	997 - 179	203.665	201.997	202.548	-2.7	203.518	-2.8	206.588	-2.2	85.9
Sweden	(SKr)	11.7891	-0.0598	802 - 979	11.9558	11.7659	11.8121	-2.3	11.8471	-2.0	11.9451	-1.3	75.3
Switzerland	(SFr)	2.0531	-0.0111	521 - 540	2.0618	2.0486	2.0517	0.8	2.0484	0.9	2.0237	1.4	121.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.2795	-0.0065	786 - 803	1.2849	1.2763	1.2804	-0.8	1.2768	0.8	1.2826	-0.2	-
SDR†	-	0.934318	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5522	+0.0136	517 - 526	1.5558	1.5492	-	-	-	-	-	-	-
Brazil	(Cr)	4036.24	+108.33	512 - 735	4040.00	3953.00	-	-	-	-	-	-	-
Canada	(C$)	2.1576	+0.0161	566 - 585	2.1660	2.1534	2.1596	-1.2	2.1673	-1.8	2.2017	-2.0	85.5
Mexico	(New Peso)	5.2897	+0.0441	844 - 749	5.2784	2.2530	-	-	-	-	-	-	-
USA	($)	1.5547	+0.0125	543 - 551	1.5570	1.5506	1.554	0.5	1.553	0.5	1.5482	0.4	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1556	+0.038	543 - 569	2.1667	2.1392	2.1549	0.4	2.1533	0.4	2.1524	0.2	-
Hong Kong	(HK$)	12.0165	+0.098	126 - 203	12.0425	11.9915	12.0084	0.8	12.0045	0.4	12.0316	-0.1	-
India	(Rs)	48.7671	+0.3917	506 - 836	48.8760	48.6710	-	-	-	-	-	-	-
Japan	(Y)	155.261	-0.342	166 - 355	156.290	154.850	154.886	2.9	154.066	3.1	149.761	3.5	188.8
Malaysia	(M$)	4.0346	+0.0404	328 - 364	4.0376	4.0179	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6367	+0.0178	349 - 384	2.6523	2.6337	2.638	0.3	2.6396	-0.4	2.6461	-0.4	-
Philippines	(Peso)	41.9770	+0.3369	552 - 987	42.2967	41.6550	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8307	+0.0474	289 - 324	5.8439	5.8189	-	-	-	-	-	-	-
Singapore	(S$)	2.3698	+0.0145	688 - 707	2.3748	2.3653	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6160	+0.0253	134 - 186	5.6481	5.5886	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.3724	+0.0672	549 - 898	7.3898	7.3549	-	-	-	-	-	-	-
South Korea	(Won)	1253.71	+9.61	277 - 485	1258.17	1251.30	-	-	-	-	-	-	-
Taiwan	(T$)	41.8455	+0.3231	293 - 617	41.9144	41.7642	-	-	-	-	-	-	-
Thailand	(Bt)	38.8966	+0.2215	730 - 242	39.0040	38.8500	-	-	-	-	-	-	-

†SDR rate for Jun 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.1035	-0.179	010 - 060	11.1365	11.0780	11.108	-0.5	11.116	-0.5	11.0535	0.5	103.9
Belgium	(BFr)	32.4520	-0.468	470 - 570	32.6100	32.4400	32.4745	-0.8	32.522	-0.9	32.582	-0.4	105.3
Denmark	(DKr)	6.1910	-0.094	885 - 935	6.2232	6.1862	6.2	-1.7	6.219	-1.8	6.2635	-1.2	104.8
Finland	(FM)	5.2307	-0.0719	257 - 357	5.2696	5.2241	5.2339	-0.7	5.2467	-1.2	5.3132	-1.6	76.2
France	(FFr)	5.4020	-0.0695	010 - 030	5.4260	5.3930	5.4069	-1.1	5.4149	-1.0	5.3778	0.4	105.6
Germany	(D)	1.5758	-0.0214	753 - 762	1.5836	1.5725	1.5767	-0.6	1.5771	-0.3	1.5704	0.3	106.2
Greece	(Dr)	238.600	-2.95	400 - 800	239.100	238.400	239.95	-6.8	240.8	-3.7	243.1	-1.9	66.0
Ireland	(I£)	1.5348	+0.0175	338 - 358	1.5418	1.5232	1.5335	1.1	1.5308	1.1	1.5223	0.8	-
Italy	(L)	1555.90	-16.75	500 - 680	1564.50	1553.60	1560.85	-3.8	1570.35	-3.7	1607.9	-3.3	77.3
Luxembourg	(LFr)	32.4520	-0.468	470 - 570	32.6100	32.4400	32.4745	-0.8	32.522	-0.9	32.582	-0.4	105.3
Netherlands	(Fl)	1.7680	-0.0237	675 - 685	1.7785	1.7622	1.7688	-0.6	1.7696	-0.4	1.7628	0.3	105.2
Norway	(NKr)	6.8665	-0.0967	655 - 675	6.8930	6.8544	6.871	-0.8	6.8855	-1.1	6.7865	1.2	96.3
Portugal	(Es)	162.075	-3.125	000 - 150	163.450	162.000	163.73	-12.3	166.15	-10.1	170.425	-5.2	93.4
Spain	(Pta)	129.985	-2.365	960 - 010	131.000	129.900	130.35	-3.4	131.085	-3.4	133.595	-2.8	80.6
Sweden	(SKr)	7.5829	-0.0675	791 - 866	7.6586	7.5694	7.6009	-2.8	7.6339	-2.7	7.7819	-2.6	80.6
Switzerland	(SFr)	1.3206	-0.0179	203 - 208	1.3285	1.3170	1.3203	0.2	1.3193	0.4	1.3084	0.9	106.4
UK	(£)	1.5547	+0.0125	543 - 551	1.5570	1.5506	1.554	0.5	1.553	0.5	1.5482	0.4	86.4
Ecu	-	1.2161	+0.0159	146 - 156	1.2180	1.2104	1.2137	1.4	1.2114	1.2	1.2224	-0.6	-
SDR†	-	1.44483	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9984	+0.0007	983 - 984	0.9984	0.9982	-	-	-	-	-	-	-
Brazil	(Cr)	2596.15	+49.11	610 - 620	2596.50	2596.10	-	-	-	-	-	-	-
Canada	(C$)	1.3878	-0.0009	875 - 880	1.3929	1.3868	1.3899	-1.8	1.3956	-2.2	1.4221	-2.5	82.1
Mexico	(New Peso)	3.3895	+0.001	870 - 920	3.3920	3.3830	3.3905	-0.4	3.3923	-0.3	3.3997	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3865	+0.0138	860 - 870	1.3918	1.3768	1.3866	-0.3	1.3869	-0.1	1.3906	-0.3	86.4
Hong Kong	(HK$)	7.7291	+0.0006	286 - 296	7.7300	7.7280	7.7286	0.1	7.7311	-0.1	7.7453	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4475	-3.1	31.5925	-2.9	-	-	-
Japan	(Y)	99.8650	-1.035	300 - 000	100.280	99.5000	99.67	2.3	99.21	2.6	96.725	3.1	149.0
Malaysia	(M$)	2.5951	+0.0051	946 - 956	2.5962	2.5865	2.5876	3.5	2.5841	1.7	2.6161	-0.8	-
New Zealand	(NZ$)	1.6959	-0.0023	952 - 966	1.7053	1.6952	1.6977	-1.3	1.7023	-1.5	1.724	-1.7	-
Philippines	(Peso)	27.0000	-	000 - 000	27.2000	26.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0002	502 - 505	3.7505	3.7502	3.751	-0.2	3.753	-0.3	3.7667	-0.4	-
Singapore	(S$)	1.5248	-0.003	240 - 245	1.5250	1.5235	1.5235	0.6	1.5232	0.3	1.5253	-0.1	-
S Africa (Com.)	(R)	3.6123	-0.013	115 - 130	3.6200	3.5980	3.6278	-5.1	3.6561	-4.9	3.7328	-3.3	-
S Africa (Fin.)	(R)	4.7420	+0.005	320 - 520	4.7520	4.7320	4.7757	-8.5	4.8345	-7.8	-	-	-
South Korea	(Won)	806.400	-0.2	000 - 800	807.400	806.000	809.4	-4.5	812.9	-3.2	831.4	-3.1	-
Taiwan	(T$)	26.9155	-0.0095	120 - 190	26.9200	26.9025	26.9355	-0.9	26.9755	-0.9	-	-	-
Thailand	(Bt)	25.0200	-0.06	100 - 300	25.0400	25.0100	25.0925	-3.5	25.22	-3.2	25.7	-2.7	-

†SDR rate for Jun 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 23. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.65	4.856	2.006	4795	5.449	21.17	499.5	400.6	23.37	4.069	1.982	4.278	3.082	307.8	2.537
Denmark	(DKr)	52.42	10	8.726	2.545	1.052	2513	2.856	11.10	261.8	210.0	12.25	2.133	1.039	2.242	1.616	161.4	1.330
France	(FFr)	60.07	11.46	10	2.917	1.206	2880	3.273	12.72	300.0	240.6	14.04	2.444	1.191	2.569	1.851	184.9	1.524
Germany	(DM)	20.59	3.929	3.428	1	0.413	987.3	1.122	4.359	102.9	82.49	4.812	0.838	0.408	0.881	0.635	63.39	0.522
Ireland	(I£)	49.80	9.501	8.291	2.419	1	2388	2.714	10.54	248.8	199.5	11.64	2.027	0.987	2.130	1.535	153.3	1.264
Italy	(L)	2.086	0.398	0.347	0.101	0.042	100.	0.114	0.442	10.42	8.355	0.487	0.085	0.041	0.089	0.064	6.420	0.053
Netherlands	(Fl)	18.35	3.501	3.055	0.891	0.368	880.0	1	3.885	91.67	73.52	4.289	0.747	0.364	0.785	0.566	56.49	0.466
Norway	(NKr)	47.24	9.012	7.864	2.294	0.949	2265	2.574	10	236.0	189.2	11.04	1.922	0.936	2.021	1.456	145.4	1.199
Portugal	(Es)	20.02	3.819	3.333	0.972	0.402	959.9	1.091	4.238	100.	80.20	4.679	0.815	0.397	0.856	0.617	61.63	0.508
Spain	(Pta)	24.96	4.762	4.156	1.212	0.501	1197	1.360	5.285	124.7	100.	5.834	1.016	0.495	1.068	0.769	76.84	0.633
Sweden	(SKr)	42.79	8.164	7.124	2.078	0.859	2052	2.332	9.059	213.7	171.4	10	1.741	0.848	1.830	1.319	131.7	1.086
Switzerland	(SFr)	24.57	4.688	4.091	1.193	0.493	1178	1.339	5.202	122.7	98.44	5.743	1	0.487	1.051	0.757	75.65	0.623
UK	(£)	50.45	9.625	8.399	2.450	1.013	2419	2.749	10.68	252.0	202.1	11.79	2.053	1	2.158	1.555	155.3	1.280
Canada	(C$)	23.38	4.460	3.892	1.135	0.469	1121	1.274	4.949	116.8	93.65	5.463	0.951	0.463	1	0.721	71.96	0.593
US	($)	32.44	6.190	5.401	1.576	0.651	1556	1.768	6.868	162.1	130.0	7.582	1.320	0.643	1.388	1	99.87	0.823
Japan	(Y)	324.9	61.98	54.08	15.78	6.523	15576	17.70	68.77	1623	1301	75.92	13.22	6.439	13.90	10.01	1000.	8.242
Ecu		39.41	7.520	6.562	1.914	0.781	1890	2.146	8.344	196.9	157.9	9.211	1.604	0.781	1.686	1.215	121.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6326	0.6330	+0.0023	0.6357	0.6310	67,705	83,213
Dec	0.6345	0.6337	+0.0027	0.6345	0.6322	602	2,367
Mar	-	0.6322	-	-	-	4	710

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0037	1.0084	+0.0048	1.0113	1.0021	37,706	62,752
Dec	1.0130	1.0144	+0.0059	1.0147	1.0116	349	3,037
Mar	1.0200	1.0210	+0.0031	1.0210	1.0200	.114	546

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7560	0.7569	+0.0023	0.7599	0.7540	36,774	49,995
Dec	0.7570	0.7580	+0.0029	0.7584	0.7560	176	840
Mar	-	0.7574	-	-	-	2	7

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5534	1.5530	+0.0020	1.5560	1.5496	19,170	38,811
Dec	1.5516	1.5516	+0.0020	1.5530	1.5490	266	390
Mar	-	1.5510	-	1.5510	-	1	17

EMS EUROPEAN CURRENCY UNIT RATES

Jun 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Netherlands	2.19672	2.15597	-0.00011	-1.86	4.77	-
Ireland	0.808628	0.794766	+0.001563	-1.71	4.62	12
Belgium	40.2123	39.5925	-0.0314	-1.54	4.44	11
Germany	1.94964	1.92234	-0.00152	-1.40	4.29	-
France	6.53883	6.58750	-0.0018	0.74	2.07	-6
Denmark	7.43679	7.54837	-0.00527	1.50	1.31	-10
Portugal	192.854	198.008	-0.624	2.67	0.15	-18
Spain	154.250	158.613	-0.607	2.83	0.00	-20
NON ERM MEMBERS						
Greece	264.513	290.460	-0.28	9.81	-6.36	-
Italy	1793.19	1898.96	+3.01	5.90	-2.90	-
UK	0.786749	0.782642	+0.003164	-0.50	3.34	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.475	7.89	7.81	8.02	-	0.19	0.53
1.500	5.35	5.89	6.12	0.09	0.50	0.98
1.525	3.20	3.80	4.39	0.42	1.10	1.73
1.550	1.56	2.34	2.96	1.23	2.06	2.76
1.575	0.60	1.30	1.92	2.71	3.48	4.18
1.600	0.17	0.65	1.16	4.77	5.31	5.89

Previous day's vol., Calls 19,822 Puts 114,060. Prev. day's open int., Calls 553,878 Puts 451,018

WORLD INTEREST RATES

MONEY RATES

June 27	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5⅝	5⅝	5⅝	5⅞	6¼	7.40	4.50	-
week ago	5⅛	5⅝	5½	5¾	6¼	7.40	4.50	-
France	5⅝	5½	5⅝	5¾	6⅛	5.20	-	6.75
week ago	5⅝	5½	5½	5⅞	6¼	5.30	-	6.75
Germany	4.95	4.95	4.95	4.95	5.13	6.00	4.50	5.05
week ago	5.00	4.95	5.00	5.00	5.15	6.00	4.50	5.05
Ireland	5⅝	5¼	5⅝	5⅝	6¼	-	-	6.25
week ago	5⅝	5¼	5⅝	5⅞	6¼	-	-	6.25
Italy	8	8⅝	8⅝	8⅝	9⅛	-	7.00	7.95
week ago	8¼	8⅝	8¼	8⅝	9⅛	-	7.00	7.60
Netherlands	4.94	4.98	4.99	5.06	5.25	-	5.25	-
week ago	5.03	4.98	5.02	5.07	5.24	-	5.25	-
Switzerland	3⅝	4⅛	4⅛	4⅞	4⅝	6.625	3.50	-
week ago	4⅛	4⅛	4⅜	4⅛	4⅛	6.625	3.50	-
US	4⅛	4⅛	4⅞	5	5⅝	-	3.50	-
week ago	4⅝	4⅛	4½	4⅞	5⅛	-	3.50	-
Japan	2⅛	2⅛	2⅜	2⅛	2⅜	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4½	4¾	5⅛	5⅝	-	-	-
week ago	-	4½	4⅞	4⅞	5½	-	-	-
US Dollar CDs	-	4.20	4.54	4.89	5.51	-	-	-
week ago	-	4.20	4.40	4.70	5.30	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 5⅞; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6 - 5⅞
Danish Krone	5¼ - 5	5¾ - 5½	6 - 5⅞	6⅛ - 5⅞	6¼ - 6	6¼ - 6
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5¼ - 5⅛
Dutch Guilder	5 - 4⅞	5 - 4⅞	5⅛ - 5	5⅛ - 4⅞	5⅛ - 5	5¼ - 5⅛
French Franc	5½ - 5⅜	5½ - 5⅜	5⅝ - 5⅝	5⅝ - 5½	5¾ - 5⅝	6⅛ - 6
Portuguese Esc.	15 - 14⅜	15¼ - 14⅜	15¼ - 14½	14 - 13¼	13¼ - 12⅝	12½ - 11½
Spanish Peseta	7½ - 7⅜	7⅞ - 7⅝	7⅞ - 7⅝	8 - 7⅞	8⅛ - 7⅞	8½ - 8⅜
Sterling	5 - 4⅞	5 - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛	5½ - 5⅜	6¼ - 6¼
Swiss Franc	4⅛ - 3⅞	4⅛ - 3⅞	4⅜ - 4⅛	4⅜ - 4⅜	4⅝ - 4¼	4⅝ - 4½
Can. Dollar	5¾ - 6½	5⅞ - 5⅞	6⅜ - 6⅛	6⅞ - 6¾	7½ - 7⅜	8⅜ - 8⅛
US Dollar	4⅜ - 4⅛	4⅜ - 4¼	4½ - 4⅜	4¾ - 4⅝	5⅛ - 4⅞	5¾ - 5⅝
Italian Lira	9 - 7½	8¼ - 8	8⅝ - 8⅛	8⅞ - 8¼	8⅝ - 8½	9⅛ - 9
Yen	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2⅜	2⅛ - 2⅛	2⅞ - 2⅝
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 4⅛	4⅜ - 4⅝	5⅛ - 5⅛	5⅞ - 5⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.30	-0.03	94.32	94.24	11,850	54,149
Dec	94.00	94.04	-0.03	94.06	93.94	9,685	42,289
Mar	93.66	93.76	-	93.80	93.63	9,990	31,005
Jun	93.46	93.54	-0.02	93.56	93.41	5,654	24,861

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.73	94.72	-0.08	94.73	94.73	106	2502
Dec	-	94.01	-0.10	-	-	0	1986
Mar	93.73	93.72	-0.12	93.73	93.73	6	1054
Jun	93.45	93.42	-0.12	93.45	93.44	100	337

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.04	95.09	+0.04	95.11	95.03	15375	190550
Dec	94.83	94.89	+0.04	94.91	94.83	17894	207307
Mar	94.53	94.60	+0.04	94.62	94.63	13193	184369
Jun	94.15	94.22	+0.04	94.25	94.14	8255	102568

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.23	91.38	+0.03	91.40	91.19	4606	41282
Dec	90.90	91.08	+0.03	91.10	90.90	2651	47666
Mar	90.53	90.68	+0.04	90.72	90.49	1226	12244
Jun	90.06	90.19	+0.06	90.19	90.05	265	8684

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.63	95.70	+0.07	95.70	95.62	2392	29552
Dec	95.41	95.45	+0.05	95.45	95.41	1317	10136
Mar	95.16	95.15	+0.07	95.16	95.11	113	9632
Jun	94.70	94.70	-	94.70	94.70	5	1299

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.99	94.04	+0.04	94.05	93.98	1361	12109
Dec	93.73	93.79	+0.03	93.79	93.73	693	8056
Mar	93.43	93.48	+0.03	93.48	93.41	370	3822
Jun	93.03	93.09	+0.02	93.09	93.03	269	398

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.75	94.72	-0.07	94.75	94.68	89,249	448,992
Dec	94.06	94.01	-0.07	94.06	93.98	184,861	412,946
Mar	93.73	93.73	-0.07	93.76	93.72	97,703	296,586

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.20	-0.06	95.21	95.19	2,264	23,399
Dec	94.62	94.62	-0.05	94.62	94.61	526	6,776
Mar	-	94.33	-	-	94.33	289	896

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
9500	0.12	0.15	0.19	0.20	0.03	0.06	0.10	0.31
9525	0.02	0.05	0.07	0.11	0.18	0.21	0.23	0.47
9550	0.01	0.02	0.02	0.06	0.42	0.43	0.43	0.67

Est. vol. total, Calls 1468 Puts 491. Previous day's open int., Calls 210871 Puts 140664

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.30	0.25	0.24	0.10	0.30	0.59
9575	0.15	0.14	0.15	0.20	0.44	0.75
9600	0.06	0.07	0.09	0.36	0.62	0.94

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 295 Puts 1023

UK INTEREST RATES

LONDON MONEY RATES

Jun 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛	5½ - 5⅜	6⅛ - 6⅛
Sterling CDs	-	-	5⅛ - 4⅞	5⅛ - 5⅛	5⅜ - 5⅜	6⅛ - 6
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5⅛	-
Local authority deps.	5⅜ - 5⅛	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5⅛	5⅜ - 5⅜	6⅛ - 5⅞
Discount Market deps	4⅞ - 4	4⅞ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9169pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate 5½pc from June 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.34	+0.01	94.35	94.29	6476	107151
Dec	93.66	93.73	+0.02	93.75	93.63	17920	146321
Mar	92.95	93.05	+0.04	93.07	92.94	5170	64613
Jun	92.31	92.42	+0.06	92.43	92.31	2025	49528

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.21	0.14	0.10	0.12	0.66	1.30
9450	0.08	0.06	0.06	0.24	0.85	1.51
9475	0.02	0.04	0.04	0.43	1.06	1.74

Est. vol. total, Calls 3160 Puts 2375. Previous day's open int., Calls 183642 Puts 176504

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 27 / Sch)

BELGIUM/LUXEMBOURG (Jun 27 / Frs.)

DENMARK (Jun 27 / Kr)

FINLAND (Jun 27 / Mks)

FRANCE (Jun 27 / Frs.)

GERMANY (Jun 27 / Dm.)

ITALY (Jun 27 / Lire)

NETHERLANDS (Jun 27 / Fls.)

NORWAY (Jun 27 / Kroner)

SPAIN (Jun 27 / Pts.)

SWEDEN (Jun 27 / Kronor)

SWITZERLAND (Jun 27 / Frs.)

PACIFIC

JAPAN (Jun 27 / Yen)

AUSTRALIA (Jun 27 / Aust$)

HONG KONG (Jun 27 / H.K.$)

MALAYSIA (Jun 27 / MYR)

SINGAPORE (Jun 27 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 27 / Can $) 4 pm close

MONTREAL (Jun 27 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jun 27 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (Daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, June 27, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mt Ind	6.6m	292	-8	Mitsubishi Hvy	4.2m	787	-8
Toshiba	5.0m	798	-27	Nippon Steel	4.0m	351	-6
Fujitsu	4.7m	1,080	-30	Oki Electric	3.6m	760	-22
Kawasaki Steel	4.6m	398	-11	NEC	3.4m	1,200	-40
Hitachi	4.3m	1,030	-10	NKK	3.3m	263	-11

INDICES

US INDICES

Day's high 3698.14 (3741.28) Low 3629.02 (3694.33) (Actual)

Standard and Poors							
Composite ‡	442.80	449.63	453.09	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	515.36	522.83	527.24	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.15	44.92	45.30	48.84 (14/6)	41.39 (4/4)	49.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	244.55	248.29	249.97	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	426.30	431.25	433.22	487.89 (2/2)	426.30 (24/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	693.79	700.65	712.74	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 24	Jun 17	Jun 10	Year ago
Dow Jones Ind. Div. Yield	2.75	2.65	2.66	2.95
	Jun 22	Jun 15	Jun 8	Year ago
S & P Ind. Div. yield	2.48	2.42	2.44	2.51
S & P Ind. P/E ratio	23.18	23.51	23.31	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	441.05	441.65	-0.45	442.95	438.80	99,320	196,312
Dec	444.60	444.20	-	445.20	444.20	1,332	9,992
Mar	-	447.70	-	448.10	447.70	39	1,859

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	3,883,100	54⅝	-1⅜
First Ind	3,086,100	23⅝	+½

■ TRADING ACTIVITY

● Volume (million)

	Jun 24	Jun 23	Jun 22
New York SE	286.917	286.153	251.017
Amex	15.806	19.357	18.732

■ CAC-40 STOCK INDEX FUTURES (MATIF)

4 pm close June 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close June 27

NYSE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
		Continued from previous page								
27	19¼	Safeway			29	676	23⅝	23⅛	23½	+⅛
6¼	4⅞	SafewayW96				38	5⅜	5⅜	5⅜	-⅛
57⅞	50¼	StJoePaper x	0.20	0.4	275	83	53	51¾	52¼	-1
30¼	26½	StJosL&P	1.80	6.7	13	21	27⅛	27	27	-⅛
45	37¼	StPaul	1.50	3.8	4	1401	39⅝	38⅝	39⅜	+⅝
9⅞	6⅛	Salant Grp			7	527	6½	6¼	6¼	
49⅞	37⅞	Sallie Mae	1.40	3.7	7	3137	37⅞	d37⅜	37⅝	-⅛
13⅞	11⅞	Salomon Br	0.28	2.3		685	12⅜	12¼	12⅜	
52¼	44¾	Salomon x	0.64	1.3	6	3173	48⅛	47⅞	48¼	+⅜
25	17½	SnDgGE	1.52	8.6	9	1550	17¾	17⅝	17⅝	+⅛
10	7½	SantaFeSRe	0.16	1.7	9	406	9⅜	9¼	9¼	-⅛
15¼	14⅛	SFeSd				2265	14¼	d13⅞	13⅞	-½
40	31¾	SantaFePac	2.80	8.4	15	282	33½	d31½	33¼	+⅞
28¼	19¾	SanFeP	0.10	0.5	11	10110	20¼	20	20¼	
26	20⅞	SaraLee	0.64	3.0	14	14768	21⅝	21¼	21⅜	-⅛
50⅛	42¼	Scana Corp	2.82	6.6	11	436	42⅞	d42⅛	42⅞	+¼
20½	13¼	Scecp	1.00	7.4	8	11619	13⅝	13⅜	13½	
40½	33½	SchererRP			25	252	33¼	d32⅞	33⅛	-⅜
69⅞	54½	ScherPl	2.04	3.3	14	4805	62⅞	61¼	62⅛	+⅞
61½	50¾	Schlmb	1.20	2.0	24	6858	60⅜	59¼	59¾	-⅛
33⅞	25¼	Schwab(C)	0.28	1.0	13	4743	27½	d25⅛	27½	+1⅜
10¾	6⅛	Schwitzer			20	805	7¼	6⅞	7	-⅜
38⅜	24⅞	SciAtl	0.12	0.4	67	1157	33⅝	33	33⅝	+⅜
16⅞	13⅛	Scotsmn x	0.16	0.7	13	48	14⅛	14	14⅛	
53¼	37¼	ScottP	0.80	1.5	13	4010	52½	50¾	52⅛	+⅝
28⅝	16⅝	ScuddrNAsF	0.21	1.0		319	21⅝	20⅝	21⅝	+⅛
12⅝	9⅝	ScuddrNEuF	0.16	1.6		240	9⅞	9¾	9⅞	+⅛
18¼	13½	SeaCnB	0.70	4.4	7	20	15¾	15¾	15¾	
16½	15	SeaC1.4625	1.46	9.7		5	15⅛	15⅛	15⅛	
[illegible]										

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
29⅞	21⅞	TJX	0.56	2.5	14	6990	[illegible]			
18¾	14½	TNP Enterp	1.63	10.9	14	339	[illegible]			
77⅞	61	TRW	1.88	3.0	16	2425	[illegible]			
13⅞	7⅞	T2 Medcl	0.10	1.0	9	1925	[illegible]			
39⅞	22⅝	Taiwan Fd				1079	[illegible]			
7⅞	5⅞	Talleyind	0.42	6.4	10	61	[illegible]			
12¼	10	Talley Pf	1.00	8.2		12	[illegible]			
44½	34¾	Tambrds	1.88	4.4	19	1441	[illegible]			
16⅝	10½	Tandem			2	1958	[illegible]			
49⅞	30¼	Tandy x	0.60	1.7	13	2892	[illegible]			
12¼	9½	Taurus Mun	0.70	6.9		3	[illegible]			
22⅝	18¼	Teco Energy	1.01	5.3	14	1211	[illegible]			
39⅞	23⅝	Tektrx	0.60	2.1	18	505	[illegible]			
4	2¾	Telecom			20	z100	[illegible]			
26⅝	14¼	Teldyn	0.80	5.0	55	2678	[illegible]			
48⅛	34⅝	TelefEspSA	1.05	2.8	7	6147	[illegible]			
70	50⅛	Telmex x	1.53	2.7	11	52589	[illegible]			
54¾	49¾	Tmplnl	1.00	2.1	30	574	[illegible]			
30⅝	19½	TempltEmMk	0.17	0.7		592	[illegible]			
8⅞	6⅞	TempltGlob x	0.60	8.7		309	[illegible]			
8	6¾	TempltGlFd	0.60	8.6		731	[illegible]			
50¾	45⅛	Tenneco	1.60	3.2	18	5929	[illegible]			
30	25⅝	Teppco Ptn	2.40	8.5	11	84	[illegible]			
31⅛	20⅝	Teradyne			23	2346	[illegible]			
8⅞	5¼	Terex	0.08	1.1	0	146	[illegible]			
8¼	6¾	Terra Inds	0.08	1.0	23	976	[illegible]			
12⅞	5¾	Tesoro			21	1114	[illegible]			
66⅛	60¾	Texaco	3.20	5.2	13	6156	[illegible]			
51⅞	50	Texaco C	3.23	6.4		2100	[illegible]			
39¾	29⅞	Texas Ind	0.20	0.6	41	153	[illegible]			
89½	61	Txtnst x	1.00	1.3	15	7596	[illegible]			
[illegible]										

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- U -

[illegible]

- T -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close June 27

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 27

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- F -

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AMERICA

Dow bounces back in spite of weak dollar

Wall Street

Blue chips showed surprising resilience yesterday morning, as share prices bounced back from a weak opening even though the dollar had dipped below key support levels, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 15.86 higher at 3,652.80. But the broadly based Standard & Poor's 500 was up 1.51 at 444.31, suggesting the advance's narrow base. On the NYSE, declining issues outnumbered advances 1,183 to 808 in moderate volume of 147m shares.

In the secondary markets, the American SE composite was down 1.78 at 424.52, but the Nasdaq composite was 3.28 better at 697.07.

Investors defied expectations of a strong after-shock on the heels of Friday's 62-point sell-off. The news from the foreign exchange markets was hardly supportive, with the US currency slipping below the Y100 mark in overnight trading and flirting with that level throughout the morning.

But the relative stability of the dollar, without any further intervention by the world's central banks, seemed to be enough to shore up the bond market. Treasuries started out with moderate losses, but worked back to just below their opening values by mid-morning.

The blue chips fared even better, gaining a strong foothold on positive ground after an early drop. Two stocks, Caterpillar and Disney, led the advance.

Shares in the world's biggest maker of earth-moving equipment improved $1½ to $102¾ even though a strike by 14,000 production workers dragged into its second week. Bargain-hunters appeared to be taking advantage of a stock which was well off its 52-week high of $121⅞.

Disney, meanwhile, climbed $1¼ to $42⅞. The company's new film, The Lion King, became the third biggest Hollywood release of all time, selling $41m worth of tickets in its first weekend.

The Big Three US car makers were back in favour, with Ford gaining $1¼ to $58¾, General Motors up $1 at $51⅞ and Chrysler adding $¾ to $47⅞.

Technology stocks were generally higher as well, although IBM slipped $⅛ to $59¾. A heavy 2.1m shares were exchanged on news that production delays were forcing Big Blue to scale back the launch of its much-vaunted PowerPC line of personal computers. However, Storage Technology was $1⅞ higher at $34⅝.

A rebound by computer-related stocks helped the Nasdaq climb off its weakest close in a year on Friday. Lotus Development was up $1½ at $35¾, Oracle added $1¼ to $37¾ and Wellfleet appreciated $1 to $23.

Canada

Toronto stocks recouped some of their earlier losses by midday, but remained in negative territory owing to weakness in the bullion price, which saw its lowest level in almost two weeks.

The TSE 300 composite index fell 11.12 to 3,948.73 in modest turnover of C$274.6m.

Texaco Canada Petroleum rose 42 cents to C$1.32 after Texaco Inc offered to buy the remainder of the company that it did not already hold for C$1.32 per share.

Mexico

Equities reversed Friday's losses on news that Mr Jorge Carpizo, the interior minister, had agreed to withdraw his resignation.

In early trading the IPC index was up 10.22 at 2,197.49, as it also benefited from the improvement on Wall Street.

Volume was 8.8m shares.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-3.08	-0.09	+15.79	-9.55	-6.24	-2.25
Belgium	-2.45	-8.12	+8.87	-7.14	-2.18	+1.97
Denmark	-1.12	-0.69	+15.74	-4.15	-0.43	+3.79
Finland	-1.02	-6.32	+53.93	+5.81	+10.86	+15.56
France	-1.76	-7.37	+1.14	-14.87	-11.88	-8.13
Germany	-1.77	-5.67	+16.80	-11.69	-7.90	-3.99
Ireland	-2.94	-2.49	+9.77	-8.14	-5.13	-1.10
Italy	+0.43	-4.32	+27.81	+12.78	+17.78	+22.77
Netherlands	-2.82	-3.66	+11.92	-8.79	-5.15	-1.13
Norway	-0.34	-9.52	+18.48	-4.67	-1.09	+3.11
Spain	-3.26	-9.97	+9.16	-9.98	-6.75	-2.79
Sweden	-3.07	-9.47	+24.01	-2.86	+1.26	+5.56
Switzerland	-2.00	-4.95	+11.88	-10.95	-5.22	-1.20
UK	-4.71	-3.32	-0.11	-15.27	-15.27	-11.68
EUROPE	-2.95	-4.96	+7.57	-11.37	-8.97	-5.11
Australia	-1.41	-3.78	+18.56	-8.18	-3.43	+0.66
Hong Kong	-2.34	-6.50	+26.13	-25.95	-28.97	-25.96
Japan	-1.92	-0.24	+6.48	+15.20	+22.22	+27.41
Malaysia	-2.65	+0.99	+52.95	-22.39	-22.56	-19.27
New Zealand	-3.34	-4.94	+24.76	-6.67	-5.76	-1.77
Singapore	-1.30	-4.65	+30.07	-12.96	-12.04	-8.31
Canada	-4.73	-7.76	+0.12	-6.89	-14.84	-11.23
USA	-3.40	-3.21	-1.07	-4.93	-8.90	-4.93
Mexico	-4.23	-8.43	+37.62	-13.53	-23.96	-20.74
South Africa	-3.51	+4.80	+42.24	+14.09	-0.88	+3.32
WORLD INDEX	-2.78	-2.82	+5.05	-2.11	-1.67	+2.51

† Based on June 24th 1994.

Weakness in the dollar last week gave most global equity markets a bad time, and Tokyo equities had one of their worst days this year yesterday after the resignation of yet another Japanese prime minister.

However, the dollar crisis also pointed up the singular strength of Japanese equities this year, up 15.2 per cent by last Friday in local currency terms, and by 27.4 per cent in terms of the wilting dollar. For US equities, unfortunately, the pattern was reversed: a fall of 4.9 per cent on a local currency measure, compared with one of 2.1 per cent for the FT-Actuaries World Index, stretching to 14 per cent in terms of the Japanese yen.

EUROPE

Bourses show resilience after morning setback

After Friday afternoon's slide in New York, more pressure on the dollar and the fall of another Japanese government, bourses were ready for another setback yesterday, *writes Our Markets Staff*; but some of them were surprised by their own resilience.

FRANKFURT, initially, fell with the rest and the Dax index closed 16.71 lower at 1,988.60 after a session's low of 1,968.61. However, the September bund future recovered from a low of 91.23 to a high of 92.42, and seemed to be holding the 92 level at the end of the equity post-bourse, when the Ibis indicated Dax showed a further recovery at 2,000.48.

Behind this, and reflecting the swing in the market's mood, was the performance of Deutsche Bank. During the session Bayernverein and Dresdner offered some relief from this year's consistent weakness in the sector, rising DM7.50 to DM433, and DM6.50 to DM364.50 respectively.

But Deutsche was measuring Friday's downgrade by Merrill Lynch in New York against a reaffirmed buy recommendation yesterday from Morgan Stanley in London, the latter backed up by B Metzler in Frankfurt. German's biggest bank hit a new 1994 low of DM659 before closing the session down DM3.80 at DM666, and recovering to DM673.40 at the end of the day.

Turnover eased from DM7bn to DM6.9bn. Outside the banking sector, there was a buyer for Volkswagen which saw the shares up DM2.80 to DM467.80 on the session, and after a rise in five-month car deliveries. VW rose another DM5.20 to DM473 after hours.

PARIS remained volatile, the CAC-40 index moving in a range between 1,870 and 1,920 before closing the day slightly higher, up 4.58 at 1,911.60.

Turnover was firm at FFr3.7bn. The turnround in performance was directly related to the stronger than expected opening on Wall Street as well as firmness in the bond market.

Beyond the current turmoil in the financial markets, there was good news on the horizon as an association of French analysts said that they had produced a further upward revision of their outlook for company results this year.

Rhône-Poulenc saw heavy trading and the shares dropped to a session low of FFr113.80, before closing off FFr3.80 or 3.2 per cent at FFr114.70 in further reaction to disappointing earnings news last week from its US subsidiary, Rhône-Poulenc Rorer. The US company, subsequently, was the object of a number of brokers' downgrades.

Suez dipped FFr1.40 to FFr266.50 as the group noted that it might increase its stake in Lyonnaise-Dumez, up FFr15 to FFr515, to 20 per cent.

AMSTERDAM was lifted off its session lows by the improvement late in the session on Wall Street, the AEX index closing off 4.3 or 1.1 per cent at 377.10, having tested the 374 level earlier in the day.

Aside from outside influences the market was also affected by the failure of talks aimed at securing a workable coalition government following the inconclusive general election result on May 3.

Reed Elsevier suffered at the opening from the unexpected resignation of the co-chairman of the UK/Dutch group, the shares easing to Fl 145 before picking up later to close down Fl 1.80 at Fl 150.20.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jun 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1307.29	1304.64	1305.15	1306.73	1308.64	1311.37	1309.76	1313.43
FT-SE Eurotrack 200	1334.64	1332.85	1334.16	1335.71	1336.26	1340.78	1337.74	1342.95

	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20
FT-SE Eurotrack 100	1328.34	1336.96	1323.00	1303.48	1306.43
FT-SE Eurotrack 200	1364.15	1366.22	1357.37	1345.33	1351.60

Base 1000 (26/10/90); High/day: 100 - 1314.08; 200 - 1343.09 Low/day: 100 - 1304.24 200 - 1332.12

MILAN was again lower in thin volume as foreign investors continued selectively to take profits and domestic funds remained inactive. The Comit index fell 4.91 to 694.01, with some analysts predicting that the market would fall to the 650-660 level before it rebounded.

Industrial blue chips were mostly lower, in line with the market, but Fiat was L60 or 0.9 per cent down at L6,345.

The insurance sector was harder hit, led by a L1,215 or 2.9 per cent fall to L40,866 by Generali. One dealer noted that the slide came in the wake of weekend details that premium income rose more slowly than expected in the first five months of the year.

He added that the sector was also being hurt by worries that the companies' portfolios would be badly hit by losses in the bond markets. RAS fell L790 to L25,500 and SAI was L482 down at L20,648.

Fondiaria dropped L545 or 4.1 per cent to L12,805 as it warned that it might have to launch a capital increase if it was to buy back the 20 per cent stake held by Groupama, and which the French group has said it planned to sell.

ZURICH picked up from its lows as Wall Street opened firmer after a day in which futures related trading made for volatile conditions. The SMI index finished 15.8 easier at 2,561.4, after a day's low of 2,525.5, in thin turnover.

UBS bearers picked up SFr12 to SFr1,145 amid futures related buying, but renewed demand emerged for some insurers. Zurich rose SFr10 to SFr1,300 and Winterthur gained SFr16 to SFr705.

Chemicals were out of favour with Ciba losing SFr35 or 4.3 per cent to SFr770 and Roche certificates down SFr65 to SFr6,245.

MADRID's general index eased 0.97 to 298.17 after a day's, and year's low of 295.50. Turnover was thin at Pta22.29bn.

In one of the worst performances of the day, Union y Fenix fell Pta120, or 7 per cent to Pta1,520 on shareholder approval of the reverse takeover of the insurer by the French company, AGF. Among the better performers, Amper rose Pta12 to Pta770 after Pta798 following Friday's sale of a lossmaking electronics subsidiary.

WARSAW rebounded from the year's lows in thin volume as investors, encouraged by revived demand during the previous session, held back from making further sales. The Wig index rose 463.1 or 6.4 per cent to 7,678.3.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei's 2.2 per cent decline provides lead for region

Tokyo

Share prices dropped as the yen set a new high against the dollar, sending the Nikkei 225 average down 2.2 per cent, *writes Emiko Terazono in Tokyo.*

The index declined 465.79 to 20,300.96 in low volumes as most investors remained absent due to the turmoil on the currency markets. The Topix index fell 23.29, or 1.4 per cent, to 1,649.78.

Traders said the political situation had little impact on investor confidence. One commented that the resignation of Mr Tsutomu Hata, the prime minister, at the weekend actually had a favourable effect since it meant that a general election would be avoided.

The Nikkei 225 opened at the session's high of 20,649.53, but soon fell on arbitrage selling to hit the day's low of 20,168.53 in the afternoon, before recouping some of the loss on buying by financial institutions.

Volume was 363m shares, against 355m. The Nikkei 300 weakened 3.76, or 1.2 per cent, to 300.23 and first section declines overwhelmed rises by 1,006 to 89, with 95 issues unchanged. In London the ISE/Nikkei 50 index eased 0.71 to 1,342.75.

High-technology shares suffered a sell-off due to the high yen: Toshiba fell Y27 to Y798 and Fujitsu lost Y30 at Y1,080. Consumer electronics makers were also lower, with Sony down Y140 to Y5,980 and Matsushita Electric Industrial off Y30 at Y1,780.

Steels were sold, with Sumitomo Metal, the day's most active issue, falling Y8 to Y292. Automobiles were also lower, with Honda Motor down Y30 to Y1,840 and Nissan Motor falling Y24 to Y850.

Sharp, however, reversed its morning decline to close Y10 up at Y1,800, while buying orders from public funds lifted Nippon Telegraph and Telephone Y3,000 to Y837,000.

Electric power companies, which are large importers of fuel, were the least affected by the bout of selling, and Tokyo Electric Power advanced Y30 to Y3,130.

In Osaka, the OSE average ended 467.82 down at 22,774.56 in volume of 12.9m shares.

Roundup

The region's markets took their lead from activity in currencies.

HONG KONG was led partly by a volatile futures market, which took a late slide. The Hang Seng index closed 233.52 lower at 8,647.48.

Properties were hardest hit, with investors worried that developers' earnings might be affected by recent government measures to cool prices. Sun Hung Kai fell HK$1.75 to HK$45.50, New World Development by 80 cents to HK$21.50 and Henderson Land by HK$1.50 to HK$35.50.

There was said to be little impact on equities from the latest delay in Sino-British talks on Hong Kong's future.

SYDNEY saw its biggest one-day decline since August 1991, which left the All Ordinaries index down 60.5 at 1,957.4. Turnover came to A$502.1m.

The takeover target Bridge Oil was the most heavily traded stock, with 56.49m shares exchanged after Parker and Parsley lifted its bid to 90 cents a share from 80 cents.

THE DAY'S CHANGES

	% Change
Wellington	-3.8
Sydney	-3.0
Bangkok	-2.9
Hong Kong	-2.6
Singapore	-1.7
Manila	-1.4
Kuala Lumpur	-1.1
Seoul	+1.2

Bridge moved ahead 4 cents to 90 cents.

The insurance sector registered the biggest fall in percentage terms, losing 4.6 per cent on the day, as GIO fell 11 cents to A$2.29.

SINGAPORE was sharply lower, with losers swamping gainers by 319 to 13 in a nervous market.

The Straits Times Industrial index fell 37.11 to 2,208.71.

KUALA LUMPUR rebounded from a day's low of 996.90 to close 11.51 off on balance at 1,003.52. However, expectation of forced selling if the market weakens further took its toll of second-line stocks; Idris fell 16 cents to M$4.68 in volume of 9.8m shares.

SEOUL, one exception to the downtrend, saw a technical rally after a five-day decline, with healthy institutional support noted for banking shares – viewed as undervalued, given improving business performance.

The composite index added 11.08 at 931.04. Both Cho Hung Bank and Korea First Bank went limit up, each gaining Won600 to Won10,800 and Won12,500 respectively.

Trading and construction companies also gained momentum in anticipation of preparatory talks at the border village of Panmunjom today for a first-ever summit between presidents of the two Koreas.

BOMBAY finished lower but after staging a mild recovery from the day's worst level. The market was not expected to encounter fresh impetus until Thursday, when the two-week account in specified shares ends. The BSE 30-share index lost 38.61 at 4,174.40.

MANILA declined steadily throughout the day and the composite index ended off 39.69 at 2,749.45. Declines exceeded advances by 61 to 7, with 31 issues unchanged.

Turnover shrank to 565m pesos from Friday's 1.34bn pesos.

Manila Electric "B" shares dipped 5 per cent, or 17.50 pesos, to 327.50 pesos and Philippine Long Distance Telephone lost 1.5 per cent, or 25 pesos, to 1,655 pesos.

BANGKOK fell steeply, although it ended off the session's low point. The SET index dipped 37.73 to 1,254.81, having seen a downside of 1,248.56. Turnover was Bt5.9bn. One broker said there was support for the index at 1,250.

Finance and bank stocks were the hardest hit – Bangkok Bank retreated Bt5 to Bt176 and Thai Farmers Bank Bt4 to Bt115.

WELLINGTON ended at its lowest level this year in below average turnover, with most of the selling coming from retail customers. The NZSE-40 capital index shed 77.47 to 1,961.30 in turnover of NZ$29.13m.

COLOMBO was supported by strong interest from domestic investors and renewed foreign demand, which lifted the all-share index 40.84 to 993.28. Turnover, however, contracted to SLRs149.9m from Friday's SLRs221m.

Johannesburg falls 2.5 per cent

South African equities ended 2.5 per cent lower as world market weakness kept buyers away. Gold's inability to hold or make ground in spite of the dollar's weakness also put pressure on related stocks.

The overall index finished 139 weaker at 5,453 after the 96-point retreat on Friday. Industrials shed 190 to 6,287 and golds dipped 91 to 2,090.

De Beers lost 75 cents at R109.25 after bouncing off a day's low of R106. Anglos declined R6 to R230 and JCI R5 to R100.

Gencor closed unchanged at R11, after an early R10.50, and SAB fell R2 to R86. Banks had Stanbic and Firstbank each down R3 at R113 and R98 respectively. Among golds, Kloof receded R3.75 to R52.50, Vaal Reefs R13 to R412 and Loraine R1 to R16.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 24 1994								THURSDAY JUNE 23 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (69)	167.97	-1.0	161.48	107.14	139.43	153.41	-0.2	3.59	169.71	163.52	108.51	141.48	153.71	189.15	130.19	130.43
Austria (17)	180.81	0.1	173.81	115.32	150.13	150.63	0.2	1.06	180.57	173.98	115.45	150.53	150.27	195.41	142.90	146.42
Belgium (37)	165.86	0.7	159.44	105.79	137.72	134.65	0.3	4.11	164.74	158.74	105.33	137.34	134.19	178.67	142.48	142.48
Canada (106)	120.54	-2.3	115.83	76.88	100.10	121.22	-1.9	2.80	123.33	118.83	78.85	102.81	123.62	145.31	120.54	130.38
Denmark (33)	256.58	0.1	246.66	163.65	213.06	218.96	-0.3	1.35	256.38	247.03	163.82	213.73	219.69	275.79	207.58	211.90
Finland (24)	142.37	0.5	136.86	90.80	118.22	158.43	0.0	0.90	141.60	136.43	90.54	118.04	158.43	156.72	86.54	85.66
France (97)	161.65	-1.1	155.39	103.10	134.22	138.74	-1.4	3.24	163.46	157.49	104.51	136.26	140.70	185.37	149.60	151.95
Germany (68)	134.66	-0.4	129.44	85.88	111.81	111.81	-0.8	1.85	135.15	130.23	86.42	112.67	112.67	147.07	107.59	107.59
Hong Kong (56)	362.27	-0.9	348.26	231.06	300.80	359.48	-0.9	3.30	365.56	352.23	233.73	304.75	362.79	506.56	271.42	286.15
Ireland (14)	183.17	-1.8	176.08	116.83	152.10	170.11	-1.9	3.59	186.19	179.40	119.05	155.22	173.46	209.33	156.93	156.90
Italy (69)	84.21	-1.3	80.95	53.71	69.93	98.90	-1.5	1.60	85.32	82.21	54.55	71.13	100.40	97.78	57.88	67.11
Japan (469)	165.80	-0.2	159.38	105.75	137.69	105.75	-0.5	0.72	166.21	160.15	106.27	138.56	106.27	166.34	124.54	144.00
Malaysia (98)	477.53	0.5	459.06	304.58	396.54	476.34	0.8	1.71	475.13	457.81	303.79	396.10	473.38	621.63	312.51	312.51
Mexico (18)	1892.59	-0.9	1819.35	1207.09	1571.52	7011.67	-0.8	1.11	1909.89	1840.23	1221.15	1592.15	7069.51	2647.08	1481.08	1496.49
Netherland (27)	196.86	-1.0	189.25	125.56	163.47	160.98	-1.3	3.53	198.93	191.68	127.20	165.84	163.18	207.43	164.22	164.22
New Zealand (14)	66.71	-1.9	64.13	42.55	55.40	60.16	-1.4	3.98	67.97	65.49	43.46	56.66	60.99	77.59	48.80	48.80
Norway (23)	185.22	0.6	178.05	118.13	153.80	174.81	0.3	1.89	184.06	177.35	117.69	153.44	174.32	206.42	150.61	150.61
Singapore (44)	337.00	-0.4	323.96	214.94	279.84	237.19	-0.5	1.78	338.42	326.08	216.38	282.12	238.33	378.82	242.46	242.46
South Africa (59)	276.02	-2.0	265.34	176.04	229.19	285.78	-1.8	2.21	281.62	271.35	180.06	234.77	291.15	284.68	175.93	195.37
Spain (42)	135.46	-1.8	130.22	86.40	112.48	135.82	-2.3	4.25	137.92	132.89	88.18	114.98	138.99	155.79	116.33	125.90
Sweden (36)	207.28	0.4	199.26	132.20	172.12	235.37	0.0	1.70	206.48	198.96	132.02	172.14	235.37	231.36	163.85	163.85
Switzerland (47)	158.22	-0.8	152.10	100.91	131.38	131.20	-1.6	1.85	159.51	153.69	101.99	132.97	133.45	176.56	124.46	124.57
United Kingdom (205)	181.11	-2.0	174.10	115.51	150.29	174.10	-2.2	4.32	184.75	178.02	118.13	154.02	178.02	214.96	170.32	172.64
USA (519)	180.55	-1.5	173.56	115.15	149.92	180.55	-1.5	2.97	183.36	176.67	117.24	152.85	183.36	196.04	178.95	182.50
EUROPE (720)	160.91	-1.2	154.68	102.63	133.61	146.30	-1.5	3.19	162.85	156.91	104.12	135.76	148.58	178.58	141.58	141.58
Nordic (110)	201.65	0.3	193.84	128.61	167.44	197.85	-0.1	1.51	200.95	193.62	128.48	167.52	197.97	220.80	156.82	165.82
Pacific Basin (750)	172.69	-0.3	166.01	110.14	143.40	115.06	-0.5	1.04	173.22	166.90	110.75	144.40	115.61	173.75	134.79	147.51
Euro-Pacific (1470)	167.61	-0.7	161.12	106.90	139.19	128.06	-0.9	1.91	168.73	162.58	107.88	140.66	129.23	170.78	143.88	144.97
North America (625)	176.80	-1.6	169.99	112.78	146.83	176.50	-1.6	2.96	179.64	173.08	114.86	149.75	179.27	192.73	175.67	178.26
Europe Ex. UK (515)	146.21	-0.7	140.55	93.25	121.41	128.91	-1.1	2.53	147.29	141.92	94.18	122.79	130.40	157.47	122.37	122.37
Pacific Ex. Japan (281)	242.59	-0.6	233.20	154.72	201.44	218.25	-0.4	2.92	244.13	235.23	156.10	203.53	219.06	298.21	182.38	182.38
World Ex. US (1653)	168.32	-0.7	161.80	107.35	139.76	131.17	-0.9	1.92	169.55	163.37	108.41	141.34	132.43	172.51	145.58	145.81
World Ex. UK (1967)	170.42	-0.9	163.82	108.69	141.51	143.80	-1.0	2.08	171.98	165.71	109.96	143.37	145.31	175.58	155.62	155.62
World Ex. So. Af. (2113)	170.74	-1.0	164.14	109.90	141.78	145.66	-1.1	2.29	172.46	166.17	110.27	143.77	147.34	178.56	158.97	158.97
World Ex. Japan (1703)	176.74	-1.4	169.91	112.73	146.76	169.59	-1.4	3.01	179.17	172.64	114.56	149.37	172.08	195.20	165.93	165.93
The World Index (2172)	171.39	-1.0	164.75	109.31	142.21	146.63	-1.1	2.29	173.13	166.82	110.70	144.33	148.40	178.97	157.13	157.13

Latest prices were unavailable for this edition. Markets closed 24/6/94 Finland and Sweden.

COMPUTER NETWORKING

Tuesday June 28 1994

The financial sector is among the biggest investors in computer hardware and software for networking. Above, traders throng LIFFE, the London International Financial Futures and Options Exchange. Picture: Trevor Humphries

Networked distribution: in the US, preservation specialists at Yale University Library use a digital 'Documents on Demand' system from Rank Xerox to store books and other works, and print when required – the system thus greatly improves access to collections.

Tracking the connections: this engineer checks a large group of diverse workstations within a network in the US, using Spectrum/Maestro Vision software, developed by Cabletron and Calypso Software Systems.

A challenge which cannot be ignored

Computer networking opens up new opportunities for business, ranging from simple electronic mail to a plethora of multimedia services, as **Alan Cane** explains here

Computer networking, at one time a narrowly focused, technical subject for electronics specialists, has become synonymous with a raft of profound changes which are expected to reshape business in the late 1990s. Business leaders ignore its implications at their peril.

Among the expected changes are the growth of electronic channels to the customer: home shopping, for example, through video catalogues will profoundly influence retailing. The potential of the automated teller machine, widely deployed by banks and other financial institutions, has yet to be fully explored and could provide an electronic market stall for a broad range of goods and services.

The ability of computer networks to overcome barriers of time and space will increasingly threaten the position of intermediates in a wide range of industries, starting with financial services. The growth of desk-top video-conferencing, now being pioneered by telecommunications companies including AT&T and British Telecom as well as computer manufacturers like International Business Machines and Olivetti, seems certain to have an impact on the travel business.

All of this implies drastically more flexible and higher capacity networks than those available at present. The chief technical change is expected to be be the emergence of an enterprise-wide, high speed network capable of carrying all an organisation's electronic traffic. This implies a single network capable of supporting data, voice, facsimile and video. Such a network could carry services ranging from simple electronic mail to a plethora of multimedia services. Multimedia services involve text, graphics, video and sound converted into computer language and delivered through a single interactive channel.

Networks of this kind should prove more cost effective and efficient than the multiplicity of parallel networks which characterise voice and data communications in large organisations today, but they will also make possible new ways of doing business and facilitate new commercial relationships.

Forrester Research, for example, a US-based consultancy, anticipates the emergence of "social computing": "It will consist of a new generation of telephones, televisions, and personal computers that access on-line services through a variety of networks. We assert that large firms will use social computing to build new connections to customers. Companies that do not address the emergence of this powerful new communications channel will suffer in the marketplace".

The message seems to have struck home. Mr James Cosgrove, head of AT&T's data-communications services group, says customer demand for the new services is almost outstripping the company's ability to provide them: "Their argument is: 'If I do not keep up with this, I will be at a competitive disadvantage,'" he says.

Mr Cosgrove identifies at least three trends driving change. First, the convergence of computers and communications in the move from mainframe based data processing to client-server, or networked, systems: "Routers and local area networks have changed the way people think about computing. Today, people think about networking" he says.

The growth of local and wide area networks has led to the emergence of a lively group of companies which provide the hardware and software which make them work. Novell, for example, the market leader in networking software, earlier this year formed a networking alliance with AT&T. Hubs, the control and management centres at the heart of local areas networks, and routers which interconnect networks are provided by Cisco, 3Com, Chipcom, Cabletron and Synoptics among others. The rates of growth of these companies illustrates the health of the sector. Chipcom turned over \$48m in 1991, \$87m in 1992 and \$150m last year.

Second, the emergence of highly mobile employees; they are more effective because they are able to spend more time with their customers. Mobile employees have to be supported with the elements of a "virtual office" – portable computing and telephony; cellular radio links for voice and data.

Third, a growth in intercompany as opposed to intra-company networking. Companies generally established data networks on a proprietary basis to disseminate information through their own organisations.

Today, the aim is to share information on a much broader basis. The infuence of Lotus Notes, software which enables groups of people to share and work on the same information, Mr Cosgrove says, could be compared to a new industrial revolution.

The keys to many of the new possibilities are information carried in digital form so it can be stored and manipulated by computers, high bandwidth fibre optic cabling providing

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ON OTHER PAGES

Key role in a company's performance

Continued from previous page

adequate conduits for the volume of information carried, a new generation of powerful microprocessors and, most important, an enabling technology called asynchronous transfer mode (ATM) which looks like revolutionising the way computer networks are built. It provides high speed transmission and is suitable for many kinds of traffic including voice, data, facsimile, real-time video, CD-quality audio and imaging.

In the US, carriers including AT&T and US Sprint are already offering their customers services based on ATM technology.

In Europe, a committee led by Mr Martin Bangemann, industry commissioner, warned that Europe could not afford to be left behind.

"One important development is the integrated services digital network, ISDN. This offers the opportunity to send not only voice but also data and even moving images through telephone lines," a committee report said.

"ISDN is only the first step. New multimedia services, for instance, high quality video communications, require even more performance. ISDN is showing the way and the next technological wave aims for the multimedia world. This is integrated broadband communications providing an opportunity to combine all media in a flexible way. The lead technology to implement this is ATM."

ATM is the latest step in a technological progression which began with packet switching in the 1970s. As the technology has improved, speed and capacity has risen inexorably.

Packet switching involves the movement of labelled packets of data each of which takes the best route through a network. It works well, but it is slow. Frame relay, the current favourite, is faster. ATM gets its speed from technological improvements which mean that each packet needs only minimal addressing and minimal error correction.

Most managers are aware, however, that information technology properly implemented has the potential to boost business efficiency while poorly designed and poorly implemented, it is more likely to damage a company's performance, absorbing money, creating inflexibility and taking up senior management time.

This double-edged property of IT is amply demonstrated in the current growth of computer networking. On the one hand, through networking, managers have the opportunity to change the shape of their organisations for the better by the timely dissemination of information through and between companies.

On the other, it not easy to accomplish. Senior managers may see parallels between the stage networking has reached today and the early days of data processing.

The complexity and novelty of the changes involved requires technical skills which are in short supply. Substantial cultural barriers may have to be negotiated – and most companies today are not prepared for the structural changes which follow on from advanced computer communications. Some organisations have already decided they are not in the business of network management and have outsourced their network services to companies like AT&T, BT, Cable & Wireless and GEIS.

If the 1970s and 1980s was the heyday of the data processing manager, it seems clear that over the next few years the network manager will take a leading role in setting a company's IT strategy.

NETWORKING EXPENDITURE TRENDS

European networking expenditure trends – hardware, software and services – by vertical market, 1993-92, in percentage terms.*

Sector	Per cent
Banking sector	12.8
Insurance and other finance	19.3
Discrete manufacturing	11.5
Process manufacturing	15.2
Health care sector	4.6
Business and other services	14.7
Transport, communications and utilities	10.4
Retail sector	20.8
Wholesale sector	8.2
Government departments	8.7
Educational sector	15.0
Other sectors	-2.0
Total	13.2

Information communication technology (ICT): forecasts for market value in millions of ECUs in Europe for selected areas of equipment and services this year (and 1995 in brackets):*

Local area networks, hardware	2,2033 (2,319)
Data communications hardware	3,616 (3,933)
Data network services	16,165 (17,279)
ICT maintenance, support services	51,628 (53,868)
Customer premises equipment	11,101 (11,290)
Computer hardware	39,525 (40,857)
Information technology hardware	52,080 (53,403)
Voice network services	101,978 (110,477)
Total European IT market	125,120 (130,370)
Total European ICT market	275,070 (289,620)

*In the European Union and European Free Trade Association (Efta). Source: European Information Technology Observatory, 1994; Lyoner Strasse 18, D-60528, Frankfurt/Main, Germany

BOOK REVIEW: ENCYCLOPEDIA OF NETWORKING

Guide to the networking revolution

If you don't know your hub* from your router**, the *LAN Times Encyclopedia of Networking* could be the book for you. Managers who have struggled to come to grips with the language of computing are now faced with a whole new set of acronyms and expressions as the networking revolution gathers pace, *writes Alan Cane.*

Because computing and telecommunications are culturally and historically quite distinct disciplines, much of networking can seem a black art even to data processing specialists.

Asynchronous Transfer Mode (ATM), for example, without doubt the most important new buzzword in networking, foxes even experienced software specialists. The *Encyclopedia* takes eleven pages to explain ATM in depth, starting with the proposition that this data transmission technology has the potential to revolutionise the way computer networks are built.

It uses the analogy of vehicles crossing a bridge. If all the vehicles are the same length and driven at the same speed, it is easy to predict when a vehicle reaches the far side of the bridge.

ATM involves chopping digital information into packets or cells of similar size travelling on the network at similar speeds.

This provides a speed and efficiency denied earlier technologies where packets vary in size and therefore cause delays at switching points – "using same-size cells provides a way of predicting and guaranteeing bandwidth for applications that need it," the *Encyclopedia* says.

Written by Tom Sheldon, it takes an appropriately broad view of the networking world, including topics such as Arpanet, the experimental computer network which eventually gave rise to the Internet; client-server computing, the new model for data processing in the 1990s; and Lotus Notes, the emerging standard for group working.

The *Encyclopedia* is intended as a reference work rather than a guide to networking, but any manager anxious to make sense of networking should be able to translate trade paper and journal articles with its help.

**A central location for the attachment of wires from workstations.*
*** Intelligent links between networks.*
LAN Times Encyclopedia of Networking. McGraw Hill, pp 1006; $39.95.

From Ace and ATM to Lans, Mans and Vans

Buzzwords in brief

Although networking has vital implications for the business world, the technology is often obscured by technical jargon and buzzwords. Here, for the non-technical reader, MICHAEL WILTSHIRE offers some simplified definitions

Access control method: the main distinguishing feature between different local area network (Lan) technologies.

ACE: advanced computing environment – a standard sponsored by a consortium of 22 vendors, including DEC, Microsoft and Compaq.

ASCII: American Standard Code for Information Interchange. ASCII is the standard method of identifying characters, numerals and punctuation marks.

ATM technology: asynchronous transfer mode, developed in France in the mid-1980s, is a breakthrough in communication technology with the potential to support transmission of combined data, voice and video at up to 45 megabits a second.

ATM opens the door to many new network applications.

Baud: a measure of signal changes per second in a device such as a modem.

Backbone: generic term for a Lan or Wan connections "trunk" between sub-networks across an enterprise. Subnetworks are connected to the backbone via bridges and/or routers.

Bandwidth: the range of signal frequencies that can be carried on a communications channel.

Bit: a binary unit of information that can have two values, 0 or 1. The word 'bit' is a contraction of binary digit.

Block: a collection of transmitted data.

Broadband: a term with a number of meanings – it was coined originally to describe a channel with more bandwidth than a standard voice grade channel, usually a 48kHz link, equal to 12 voice-grade channels. Such channels are gradually being superseded by digital circuits.

Broadcast: when a user sends a message from one terminal to others on the network.

CCITT: an international body, made up of telephone companies and other IT players, responsible for setting global communication standards.

Client-server technology: the most widespread example of network computing: moves information processing to where it is most economical, fast and useful; divides computer systems into front-end 'client' workstations and back-end 'server' processes.

CTI: computer-telephony integration – also known as computer-supported telephony.

Data compression: a key topic for network managers as multimedia, video, document imaging and other technologies emerge.

Domains: a Microsoft inspired network structure which separates large networks into smaller, more manageble segments. A domain can be made up of multipler servers and thousands of workstations.

DBMS: database management system - a software system to manage data.

DCE: data communications equipment, the hardware that provides connection to the network; DTE stands for data terminal equipment on a network, e.g. computers, printers and plotters.

Digital signature: an encryption method to validate an electronic message.

Distributed database: data located at multiple sites.

Digital signal: this has only two values, normally 0 and 1, during transmission, as opposed to analogue signals whose values vary all the time.

Dynamic routing: a way of sending messages across a network – if a line fails or is overloaded, the system will automatically re-route the message. Packet switching operates on this principle, with the system always poised to react to ever-changing conditions.

EDI: electronic data interchange for business data such as purchase orders and invoices between companies.

Electronic mail: sending and receiving messages and text-based information between computers; the most common application on networks.

Ethernet: one of the oldest Lan technologies, developed by Xerox, Intel and DEC to run over coaxial cable; highly successful and still popular.

File server: a computer attached to a Lan, usually running on a network operating system (Nos).

Frames: a segment of data sent over a network medium using a cable or laser. The frame size is dependent on the protocols and services used.

Frame relay: a data communication method for wide area networks, slowly replacing X.25 – an X series standard, specifying the interface between computers and packet switched networks.

Groupware: network software that defines applications used by a group of people. See page five.

GUI: a graphical user interface to enable computer users to easily select a 'menu item' by using a 'mouse' to click on to a graphic icon.

Hub: the centre of a star topology network or cabling system.

Interoperability: the ability of applications on two computer systems to exchange information so that they can understand each other.

ISDN: the slow-to-emerge integrated services digital network covering a range of voice, data and image services.

Internet: the most expansive network of computer networks in the world, with 25m users – *see article on facing page.*

ISO: International Standards Organisation, based in Geneva; responsible for many data communication standards, the best-known being the seven-layer Open Systems Interconnection (OSI) model.

Lan: a local area network – in its simplest form, a cabling system. Installing a private cabling system (to which computers can be connected) and by using agreed proceedures (protocols), communications between all stations is possible.

Man: metropolitan area network; usually high speed fibre-optic systems.

Modems: short for modulators/demodulators; devices for connecting computers to public switched telephone networks (PSTN).

Multimedia: brings voice, video and graphics to the network in the form of large files, requiring high disc storage space; plus large amounts of bandwidth during transmission.

NetWare: Lan networking products including an operating system developed by Novell that holds a large market share of the Lan server sector. Novell claims to have 40m clients on its networks.

Network audit trail: a continuous record of a network's activity.

Network management: "A term used to cover a multitude of sins," says David Palmer-Stevens, author of the *Guide to Local Area Networking.* "As yet, there are few complete solutions available – a patchwork of network management systems cover a variety of areas . . . basically, vendors' systems fall into one of two camps, concerned with either physical (hardware) elements or the logical side of the network – the control and management of inter-process communication."

OME: an open messaging environment.

Continued on next page

Networks 94

Networking people

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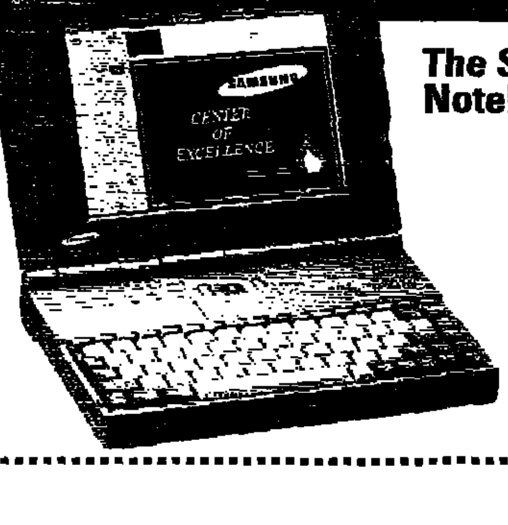
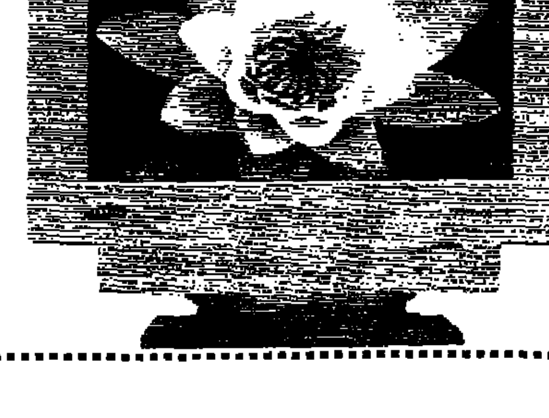




Rush to join the global Internet

Link for 25m users

Use of the Internet, an global network of computer networks, is *expanding rapidly as individual* personal computer users and companies recognise its value for communications, research and marketing.

The Internet is the most expansive network of computer networks in the world, linking an estimated 2.2m computers and over 25m users in 137 countries. Use of the Internet is growing at a *rate of about* ten per cent per month.

"The Net," as it is commonly *called, is an outgrowth of a US* government funded research program that began in the late 1960s to electronically link researchers at US universities and government laboratories. Throughout the 1980s, the Internet grew in popularity among computer hobbyists – it provides cheap electronic mail, conferencing and network searching capabilities for personal computer junkies. 'Virtual communities' with common interests are linked on the Internet, exchanging messages from all over the world.

One of the Internet's attractions is that it allows users to explore computer data bases *all over the world. It is possible*, for example, to pour through the catalogue of the *Library of Congress*, access information about NASA space shots, or log on to computers in Australia – all for the cost of a local phone call, plus whatever connect charges are imposed by the 'access provider.'

The growing popularity of the Internet has spawned dozens of these 'access providers'; *companies and organisations* that provide individual and corporate computer users with 'dial up' links to the Internet.

Some, such as the Web in Northern California, encourage social interaction on-line and off, among their users. This gives them a distinct 'net culture' reflecting the views and interests of their subscribers. *Others act simply* as a connection service, much like a phone company provides links to its voice network.

Until very recently, however, use of the Internet has been limited to those with a relatively high level of computer expertise. *Most computers* on the Internet run the UNIX operating system, which is unfamiliar to the majority of PC users. The Internet therefore lacked the 'user friendly' features such as graphical user interfaces that have made PCs increasingly easy to use.

Now several interface programs are making the "Net" more accessible to computer novices. *In particular*, a program called Mosaic, developed by the National Center for Supercomputing Applications (NCSA) at the University of Illinois at Urbana-Champaign, is gaining popularity as an easy to use point and click interface for searching portions of the Internet.

Millions of new Internet *users are also beginning to* gain access to the worldwide network via commercial *on-line* information services such as Compuserve and America Online.

Business use of the Internet is also on the rise, with thousands of companies hooking their internal networks on to

The increasingly popular Internet now has users in 137 countries

'the Net.' In the US, the number of business 'host' computers directly linked to the Internet increased 63 *per cent* to 567,686 over the 12 months ending in January, almost equal*ing the number of* Internet links to US colleges and universities. Each 'host' computer can support numerous individual personal computer users.

Use of the Internet in the UK jumped 94 per cent over the same period, with 113,930 host computers hooked up by the end of January. Much of the UK growth is also believed to come from the commercial sector. Companies are rushing to take advantage of the Internet *as a low-cost route for international* electronic mail. Digital Equipment, the US computer company, is one of the heaviest users of the Internet, with over 31,000 computers linked to the system. The company exchanges an average of 1.7m e-mail messages with people outside the company per month.

The *open nature of the Internet* with its millions of users and the lack of any central control has, however, created security problems. Corporate users of the Internet therefore typically try to isolate their internal computer networks from the Internet to avoid intrusions from curious or malevolent computer 'hackers.'

"*Security has become a* barrier to the commercial growth of the Internet. Many clients want to connect, but won't do it because of the security problems," says Jim Hogan, vice *president of global communica*tion and information processing services at Digital Equipment. The company has "at least one or two (computer) break-in attempts per week," he acknowledges. "Over the past ten years, we've developed methods of securing our own network that, as far as we know, have never been penetrated."

Digital recently announced an Internet security service *based on the technology and* expertise that it has developed to protect its own networks.

Digital's system incorporates two 'gateways,' one that is linked to the Internet and a second that is hidden from the outside world. In effect, the system builds 'firewalls' around internal networks, protecting them from unwanted intruders. Encryption and user authentication systems could bring greater security to the Internet, experts say. However, the introduction of such systems is not welcomed by many Internet enthusiasts who fear that they will detract from the open communications that have long been a central *facet* of 'net culture.'

O'Reilly and Associates, a US *publishing group, has created* the Global Network Navigator, a free Internet-based information center that includes news, an online magazine, an interactive catalogue and a global marketplace containing advertiser-sponsored information on a wide range of products and services.

In California's Silicon Valley, a consortium of companies and organisations is establishing CommerceNet, an electronic *marketplace for high* technology companies.

Mecklermedia, a US technology publishing group, recently launched 'MecklerWeb,' an electronic communications and marketing system aimed at companies that want to have a 'corporate presence' on the Internet.

Such business uses of the *Internet will secure its future* as a critical part of the 'information superhighway,' drawing resources to the development of new software for use on the Internet and encouraging its expansion.

The Internet of the future is, however, likely to be very different from the research oriented network that its creators *originally envisaged, and from* the computer hobbyists' playground that the Internet has been for the past decade.

Louise Kehoe

Technical terms explained

Continued from previous page

Object-oriented technology: reusable software programming that simplifies development of applications.

OS/2: cornerstone of IBM's *client-server strategy for desk*top computer systems.

OSI model: a seven-layer model developed by the International Standards Organisation, ISO, specifying how computers should communicate over a network.

PowerPC: microprocessor architecture developed by Motorola, in conjunction with *IBM and* Apple Computers.

PDNS: public data networks.

Packet: a group of bytes, sent over a *link*.

Packet switching: a method of switching data in a network where individual packets of set size and format are accepted by the network and delivered to their *destinations*. With various companies sharing a network, the packet option can be a cost-saving method of communicating data.

TCP/IP: suite of protocols developed by the US Department of Defense, since adopted as an *international standard*, particularly for networks of interconnected Ethernet Lans.

SNA: Systems Network Architecture, introduced by IBM, the world's first network architecture.

Token ring network: the standard of the Institute of Electrical and Electronic Engineers.

Unix: a multi-user operating system that supports networking and distributed file *systems*.

Vans: value added network services – a network that provides specialised facilities beyond the normal carrier service by adding computer-con*trol and communications*.

Wan: a wide area network, covering a larger area than a local area network, and including telecom links. Examples include packet switched networks, PDNs and Vans.

X series: recommendations *specified by CCITT governing* the attachment of terminals and computers to a data network.

□ *Guide to Local Area Networking by David Palmer-Stevens for Cabletron Systems, Newbury, Berks. (tel 0635 580,000; fax 0635 44578).*

□ *Local Area Networks: making the right choices: by Philip Hunter; Addison-Wesley, Wokingham; pp 323.*

□ *Also recent FT surveys – The Computer Industry: Battle for the Desktop, published Tuesday May 31, 1994; also: Telecommunications in Business; June 15, 1994.*

Networking allows an easier *spread of information across* an organisation – *unfortunately, the same* principle applies to computer viruses, reports MICHAEL DEMPSEY

Worries over network saboteurs

Viruses are no joke

Computer hackers have a powerful disguise. Forget the image of the amateur hacker who has the habit of gazing into a screen, probing password combinations, long after same people have gone to bed.

Technical ability is nothing beside the rather comic image of the socially inadequate teenager whose world *revolves around intruding into* computer networks. And once the hacker is perceived as an ineffectual individ*ual, it follows that his activities* are harmless and do not merit serious punishment.

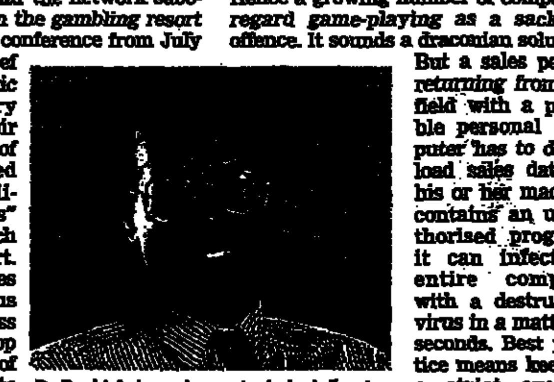
This failure to spot a real threat has allowed hackers, and the authors of computer viruses, a remarkable freedom of movement. A recent DTI sponsored survey on IT security found that viruses were responsible for 27 per cent of security breaches in PC networks. The figure for standalone PCs, isolated from any network, is much higher. But the potential for damage once a virus is loose in a network is enormous.

One of the most expensive virus outbreaks infected three large networks and *over* 200 personal computers. Immediate costs to the company concerned ran to £100,000. This is not petty *vandalism. But like their creators*, computer viruses still retain the air of a practical joke.

The world's largest computer company IBM uses a huge number of internal networks. Mike Collins, UK manager for IBM local area network (Lan) software, reports that the virus threat is taken very seriously – "a virus on a Lan can wreak havoc. It can lie dormant until triggered on a certain date when it corrupts every file. It's possible to lose a whole database or the contents of every hard disk."

Mr Collins concedes that some lightweight hackers are just out to poke fun – "these anorak-types are usually quite visible, but people who infiltrate a destructive virus are perpetrating wanton vandalism when translated on to a computer screen."

The tacky glory of Las Vegas will witness just how far the network sabo*teurs can go when the gambling resort* hosts a three-day conference from July 22. The title is "Def *Con II*," a sarcastic jibe at military systems and their escalating scale of what are termed "defence conditions" or "def cons" for short – which are states of alert. "Def Con II" invites hackers and virus writers from across the globe to swop ideas and lines of code. Among its 'highlights' will be an award to the winner of the Second International Virus Writing Contest. The conference is legal under US law.



Dr David Aubrey-Jones, technical director of Reflex: new ways to beat the saboteurs

Faced with worries *over serious* hackers and virus writers, how can a company secure its networks against a *determined, and apparently organised*, enemy?

Dr Nigel Bennée spent 11 years with Nato headquarters in The Hague. A nuclear physicist by training, he was responsible for secure systems in a highly sensitive environment. These days he has left the world of military counter-measures to take up a post as director at the networking specialists, Intelligent Networks.

Characterising his area of expertise as "wizardry," Bennée explains that he "understands things from inside out" – this often means spurning the technology-intensive approach for "common sense tactics . . . viruses are totally defeatable, purely by procedures. One of the best devices at your disposal is terms-and-conditions of employment."

Viruses are frequently transmitted via computer games, he explains. Hence a growing number of companies *regard game-playing as a sackable* offence. It sounds a draconian solution.

But a sales person *returning* from the field with a portable personal computer has to download sales data. If his or her machine contains an unauthorised program, it can infect an entire company with a destructive virus in a matter of seconds. Best practice means keeping a strict eye on which programs are running and where they appear. The whole point of networking is that it allows information to spread across an organisation – *unfortunately, the same principle* applies to viruses.

"I've seen *Flight Simulator* running on a *£10,000* graphics workstation," Bennée recalls. "If that copy had been purchased by the company for staff to play with, fine. If an employee brought it from home it constitutes a danger."

In an ideal world, companies would recognise the overpowering temptation to indulge in high-tech games: a standalone PC, isolated from the network and dedicated to personal software is one answer. But staff need to be fully aware that carrying a disk across from this box to their professional system is risky. The threat of severe disciplinary action is certainly one way to reinforce this message.

Reflex Magnetics expanded into the business of virus protection after a virus attack threatened its original line of duplicating computer data. Reflex sells Disknet, a *program that resides* on a network and interrogates floppy disks to ensure they have already been scanned for virus infection.

In the absence of a positive response, Disknet prevents the suspect disk from accessing the computer's hard disk, and hence passing a virus on.

Disknet costs £5,000 to implement across a 100-user network. Reflex *sales director Andy Campbell* has become increasingly concerned about the virus threat to networks. Files are '*compressed*' *in order to be flashed* over a network – "these present a problem, it's harder to identify a virus," he says.

Disknet spots those files on a disk that have been compressed, expands them to their original format, and hands over to an additional tool whose name should impress "codeword crazy" virus authors: the tool is Thunderbyte, developed by the Dutch systems house, Esass. It scans for the presence of a virus.

Thunderbyte apart, Reflex technical director Dr David Aubrey-Jones knows it takes more than a macho name-tag on a scanner to halt the flow of viruses christened with names like 'Pathogen' or 'Ripper.'

UK authorities are applying a firm *policy to help avert the virus threat*. Scotland Yard's computer crime unit has hit back, too, closing down electronic *bulletin* boards that have been used to pass on details of destructive viruses.

But the culture represented by the "Def Con II3 event is still active. Dr Aubrey-Jones reports that a particular CD-rom disk, containing masses of computer data, is headed for Europe from the US.

On sale for $100, the disk contains a large catalogue of viruses for the corporate saboteur to savour.

Thunderbyte should be busy.

Larger companies see '*downsizing*' as a way to cut computer *hardware costs*, explains PHILIP MANCHESTER

CLIENT-SERVER TECHNOLOGY

Big benefits ahead

The fruits of the collision between computers and telecommunications over the last 20 years have seldom lived up to their promise. Persistent predictions about the imminence of mass teleworking and the global village have always proved premature.

The fundamental problem is that getting computers and telecommunications to work together at all is a tough task.

Firstly, the two industries are culturally poles apart – telecommunications is slow-moving, heavily regulated and capital intensive, while computing is fast-moving, unregulated and skills-intensive.

Secondly, rival suppliers in both industries must be coerced into agreeing to basic technical standards – while leaving them enough room to innovate and differentiate themselves in the market. And standards take years of negotiation, are usually *out-of-date* or irrelevant by the time they are published and are difficult and expensive to enforce.

That it is possible to connect two different computers to a telephone line and get them to swap messages is a modern wonder of the world, against such a background.

Even assuming that it is possible to get two different computer environments to talk to each other, the prob*lems of distributing computer* power across a network have only just begun. It is not just a case of distributing power by putting workstations on desktops and large local 'server' computers in offices. Modern distributed systems need ways *to distribute functionality, too.*

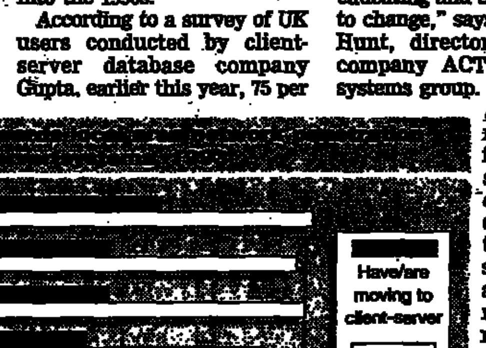
This is not simple. Decisions must be made about the distributing applications and the difficulties of achieving this are a significant barrier to the spread of client-server technology.

The so-called client-server architecture is *now* widely seen as the way to solve the problem of distributing functionality. It splits information technology (IT) systems into 'client' processes and 'server' processes. Typically, a desktop workstation incorporating local processing power will be the 'client' and a high-speed laser printer or large data *storage* device will provide the services through the network.

This design approach has been very successful for installing PC-based networks where the design issues are relatively simple – connecting workstation PCs to each other and to printer and data storage resources.

But the scope of client-server is now being extended to embrace – and even emu*late – traditional central* terminal/host applications based on mainframes. This phenomenon *is* usually called '*downsizing*' and it has caught the imagination of large user organisations which see it a way to reduce hardware costs *and give them the flexibility* to bring their old applications into the 1990s.

According to a survey of UK users conducted by client-server database company Gupta, earlier this year, 75 per cent of companies see client-server technology as central to their future IT strategy.



Using client-server design principles for 'legacy' applications means that they can be *equipped with better 'front* end' user interfaces on the desktop. Software environments such as Microsoft's Windows or Apple's Macintosh enable old applications to be presented with a new graphics-based 'front end' and make life easier for users.

But genuine client-server systems must go much further *than this. Decisions* about where to the put the 'logic' of the application – either on the *client or the server – are diffi*cult to make. Many companies are ill-equipped for this task.

"One of the main lessons we have learned from large-scale *client-server projects* is that development people need re-educating and their skills need to change," says Mr Lawrence Hunt, director of software company ACT's distributed systems group.

"To get the real benefits from client-server technol*ogy you need a* different attitude to systems design and development. You need to relate more closely to the business needs and get application *designers to* think about them rather than concentrating solely on the technology," he adds.

There are, of course, technology issues involved and application designers face evergrowing complexity when trying to integrate client-*server systems – "in the past* it was the hardware companies that took on the integration role – but now it *is* software companies and tool builders," says Mr Michael Miner, chief executive of Blyth Software, a development tool and database software specialist.

"The problem is that a lot of people have been trained in 1970s technology – much of which is no longer relevant in *client-server systems," adds* Mr Miner.

Like Mr Hunt of ACT, Mr Miner sees the answer in improving the skills of development staff and placing increased emphasis on business needs.

"Typically, you need a team of people who are skilled with various technologies, but with a focus on the business problem. They need to create new business rules and use tools which make application development easier."

A key aspect of this is to choose tools which can to sort out the dividing line between the client and the server – in other words, whether to place the application logic on every desktop or to place it solely on the server.

"*We see the future of client*-server in what we call second generation tools," explains Mr Ketan Karia, director of marketing at software tools builder Cognos. "Our Axient tool allows developers to build the application code once and then deploy it across different platforms – across databases, operating systems and differ*ent approaches to client-*server.

"This means that the client can be a 'fat' client with *lots* of application logic built in or a 'thin' client which relies on logic in the server," he continues.

This approach is likely to become the norm for tool-builders and will help applica*tion builders with the difficult* problem of dividing client and server components. Even with this particular problem solved, however, client-server systems are likely to be as complex – or, perhaps, even more complex than their predecessors.

This will inevitably mean that any savings in hardware costs will be matched by increased software development and system integration costs. The benefits – more *responsive and more flexible* systems – should be worth it, however.

Just as long as it works: business computer users should not have to worry about operating systems software, therefore many developers have taken the view that the technology is irrelevant to the average end-user and are working to 'hide' it

Race to supply new operating systems software

The battle intensifies

The emerging mid-range systems market has now become the main battleground for the new strand of operating system development, reports PHILIP MANCHESTER

Operating systems software occupies a pivotal position in modern computer systems. Not only does the choice of operating system define the computer hardware – it also defines the application.

The choice of operating systems platform has, in effect, replaced the choice of hardware for users.

While in the past, there was always a danger that computer users could become dependent upon their hardware supplier, over the last decade the emphasis has shifted to the operating system platform supplier. This has become increasingly confusing for users and software developers who are looking for a stable platform on which to build applications.

The result has been a bitter public conflict among operating system suppliers, each hoping to gain dominance in the market.

This conflict dates back to the mid-1980s when the virtues of common operating environments were first recognised.

The success of IBM's Personal Computer (PC) along with Microsoft's MS/Dos created a large, homogeneous software product market for the first time.

Previously, every computer came with its own operating environment – making it impossible to move application software from one machine to another without significant changes.

The MS/Dos PC changed this and allowed a new breed of mass market software developers such as Lotus, Novell and Microsoft to dominate personal computer software.

Towards the end of the 1980s, these and other software producers saw that the same approach could be taken to build software for larger systems – either in the form of PC networks or client-server systems.

The need emerged, therefore, for an operating environment which could deliver the same advantages as a PC operating system, while coping with the greater complexity of multi-user systems.

It is this emerging mid-range systems market which has become the main battleground for the new strand of operating system development. There is no shortage of contenders. Microsoft is in pole position with the extended version of its successful Windows-MS/Dos operating system for the PC.

Known as Windows NT, it is claimed to be the natural migration path for single PC users who want to move into multi-user networked systems.

Microsoft aimed to sell a million copies by the end of its first year and, while this target has proved to be ambitious, Microsoft has managed to get close to it. More significantly, sales of the original Windows are now about 50m worldwide and growing quickly. Microsoft's main rival comes from a combination of Novell and other Microsoft competitors who back various flavours of the Unix operating system originated by AT&T's Bell laboratories in the 1970s. Unix has the advantage of a long history of supporting multiple users and wide backing across the industry.

Most hardware manufacturers offer a Unix platform – although they are not as consistent as they should be in conforming to the standards. Unix has managed to gain some success in the mid-range systems market and a good portfolio of applications software now exists for it.

The other main rival to Windows NT is OS/2 – an operating system developed originally by both Microsoft and IBM. When it was announced in 1987, it was designed to replace MS/Dos. But after slow initial success, IBM and Microsoft went their separate ways – leaving IBM to continue OS/2 development on its own. OS/2 has attracted a solid core of established large IBM customers because it fits in well with their existing systems.

The OS/2 operating systems has an estimated four million users worldwide – but has had little success outside the IBM market.

These three – Windows NT, Unix and OS/2 – are the main contenders in the operating systems conflict and each faction has embarked on a campaign to attract firstly, application software developers and, secondly, end-user companies.

The conflict is further confused, however, by the emergence of a new strain of object-oriented operating systems. Apple's Macintosh, for example, has attracted attention – although it is limited by its ties to Apple's hardware.

Apple founder Steve Jobs left to form Next Computer in the late 1980s, creating yet another potential rival operating environment. Next has built a version of its Nextstep object-oriented system for the PC and, again, has scored some success in niche markets.

Another object-oriented environment has grown out of a joint venture between Apple and IBM under the Taligent name. Taligent promises to improve development productivity with its operating system – although it will be some time before it its ready for the market.

The primary task of all of the contenders in the operating system battle is to woo software package developers. MS/Dos was successful because Microsoft was able to persuade a large number of application builders to base their packages on it.

Software developers are sanguine about operating systems, however, and many have accepted that, unlike the MS/Dos market, they will have to back several different options.

"We have taken the view that the operating system is irrelevant to the end-user and are working to hide it," explains Mr Ketan Karia, director of marketing at application software tool specialist Cognos UK.

"We aim to make our tools work across a range of operating systems but we are concentrating on Unix and Windows NT at the moment." Mr Derek Masters, managing director of Sterling Software UK, comes at the problem from a different angle. As a veteran software supplier to the IBM mainframe market, Mr Masters says his company has been driven by customers moving from mainframe-based systems to networked systems.

"Three years ago our customers were entirely mainframe based. Now they have lots of Unix, Windows and OS/2 systems which they want attached to their mainframes. We have had to change our products to cover the whole range."

Sterling's products involve managing communications and data storage across an enterprise and must, therefore, be capable of coping with any operating environment which might be connected to the network.

"Microsoft is in a strong position with Windows NT – although we find our traditional customers favour OS/2 because of its IBM background. Then again we see Unix creeping in – especially in applications which use electronic data interchange (EDI)." Mr Masters adds.

In theory, users should not have to worry about operating systems and, in the long term, it seems likely that much of burden caused different environments will be shouldered by tool builders.

Meanwhile, software developers and users will have to accept that they must keep an eye on all of the main contenders – and maybe some of the 'also-rans.'

New technologies are linking local and wide area networks

Managers are discovering new Lans

Many observers see ATM technology as the key to high-speed networking, both for wide-area and national networks, reports JOIA SHILLINGFORD

Network managers do not install new local area networks (Lans) – "managers discover them," says Sean Phelan of the Yankee Group Europe. "It's not unknown for a Lan to be purchased out of the furniture budget, and only to come to light when the finance director queries a maintenance demand on furniture."

Low prices are turning Lans into a commodity, with a compound sales growth of 70 per cent a year, according to the consultancy, Ovum. But increasingly, the challenge companies face is not how to connect personal computers into Lans, but how to integrate all the Lans within a building – and beyond that, around the company.

Many Lans are installed to meet a specific need (such as the need for a group of workers to share information); others are set up on an ad hoc basis. The latter tend to be introduced to share a printer, after which a file server (a computer which stores files), and basic electronic mail (e-mail) follow.

The drivers for Lan integration are somewhat different. They include:

☐ Globalisation:
As companies increasingly compete on a global basis, they want quick access to market intelligence from around the world and better internal communications. This can be achieved using Lan e-mail.

☐ Legacy systems:
If aging, mainframe-based 'legacy' applications are made available via company Lans, some of their complexity can be disguised by graphical user interfaces.

☐ Cost-savings:
Companies can cut costs by moving applications off the mainframe and on to smaller systems, such as local-area networks of PCs, where hardware and development costs are lower. Lans are also an important component of client-server computing (where processing is shared between 'client' PCs and more powerful 'server' systems).

☐ Delayering:
As company remove layers of management, the information and tools for dispersed decision-making need to be made available to users throughout the organisation.

Lans can be interconnected using a number of devices including bridges, routers and gateways. Routers have become the most popular for large-scale Lan integration.

They are so-called because as well as connecting two networks they also have the ability to select routes through a network. The drive towards Lan integration is boosting sales of routers, benefiting suppliers like Cisco and Wellfleet. The Yankee Group says router sales are doubling every year.

If two or more Lans are to be connected, a router most be put on each and the two routers linked by a cable. If the two Lans are within the same building or at the same site they become a bigger Lan.

Expanding the network

If two or more Lans at different sites are connected, they become a wide-area network, or Wan. (Any public or private network which connects computers over distance, such as a public X.25 network, can also be described as a Wan.) The main difference between a Wan and a Lan, says Phelan, is that "you have to pay other people for bandwidth."

The situation is analogous to the telephone. If you phone a colleague in the same building, the call is free, but if you phone someone in Manchester, the chances are that your company is paying BT or Mercury for the call, or at the very least renting leased lines from them.

ATM was designed for fibre-optic networks and multi-megabit speeds

A number of technologies are available – or becoming available – for linking Lans into Wans. They include: leased lines, X.25 packet switching, frame relay, and ATM (or asynchronous transfer mode). Each has their pros and cons.

Leased lines (point-to-point telecoms links) are fast, offering data-transmission speeds of 64 Kbits or higher, but they are really expensive.

X.25, a form of packet switching, once seemed like a good compromise. It can be used over a public data network (provided by BT, Mercury or others). Because users share the network, sending their data in 'packets,' costs are lower than for leased lines. The drawback is that X.25 is slow, offering typical speeds of 9,600 bits per second.

Today, frame relay provides a better solution for connecting Lans. Peter Cook, marketing director Europe at AT&T Istel, describes frame relay as "like X.25 on speed" because, though similar, it is five to 10 times faster. It starts where X.25 finishes at 64 kilobits. But a lot of error-correction codes – not needed on modern telecoms lines – have been stripped out.

Frame relay is also cheaper because companies only pay for the bandwidth they actually use. It is ideal for the "bursty" traffic typical of Lan usage, where data (such as a file) is only sent from time to time.

Frame relay networks are being rolled out by a number of companies including BT and AT&T. These cover larger cities in the UK and a growing number in other countries.

Interest from users is high.

Continued on facing page

GROUPWARE

United, we stand a better chance

Good communications and the ability to share data helps make organisations efficient, writes Claire Gooding. Networked applications keep the work flowing, whether in finance, retail or manufacturing

In a business world connected by networks, communication has become a vital part of competition.

It is almost as important to understand the basics of *how* things connect, and the vital flow of processes, as it is to do the job itself. Speed of response is now a vital element of business: if not, then some rival organisation will move in first and win the business.

The fashion for 'business process re-engineering' (BPR) has brought another challenge to human aptitude: how to adapt working practices and skills to a more efficient working of the entire organisation.

The shift in thinking is not unlike the impact on manufacturing of 'just-in-time' techniques, but the target of most business process re-engineering is not the inventory of goods, but of people. Cutting costs, doing a better job, providing a better service with fewer staff, is the focus of many BPR projects.

As a mere 'enabling' technology, networking is the method under-pinning many of these changes. Users have already caught on to the potential of e-mail alone: the sales of Lotus Development's LAN-based cc:mail and Lotus Notes products have doubled over the last few years, with an estimated 5m users worldwide.

The next wave is 'workflow,' groupware and so-called 'intelligent' document management systems, (EDMS) often front-ended by document image processing (Dip) which is used to scan in images of paper documents.

Early document management systems tended to be 'departmental.' They worked in a closed loop, relying on scanning in of paper (Dip), and beginning and ending the process in under one roof. That changed with the arrival of wide area networks using heterogeneous hardware, and with the fact that much internal information actually originates in electronic form.

A workflow system, such as the Caress system used by British Airways to process customer complaints, can now use the network to access other departments, sending and receiving information vital in solving a customer's problem.

The more recent availability of high-quality ISDN lines for data transmission adds another possibility to workflow applications: the sending of images as well as messages.

Mr Rory Staunton, senior analyst at Gartner Group UK, is responsible for the Intelligent Document Management Service in Europe. He notes two intertwined themes: workflow tools, which he says originally arose as a way of differentiating

Large financial applications with complex computations often slow down networks

document imaging products; and a clutch of emerging technologies including EDI, electronic data interchange, intelligent workflow and GIS (Geographical Information Systems).

"Workflow has extended well beyond distributing images towards business process modelling tools," he says. "In Europe, such products as ICL's ProcessWise, IBM's Flowmark and Staffware from SCMC are now being used to model business processes. They are enabled by modern high-speed LAN communications, but what is interesting is the emergence of high-speed networks in Europe such as ISDN. This has suddenly enabled traditional back-office operations to be brought nearer to customers so that they can add value."

As an example, he says that Phrasea of Paris, in the media business, is distributing quality colour images from its picture library, sending a high quality image down the line in 15 seconds – "that has revolutionised the job of picture selection. The effect is to enable companies to reconsider the structure of their company document repositories, so that they can maintain the integrity and security of central archives whilst still delivering the latest information when it's needed, where it's needed – in other words, moving towards just-in-time documents, which don't go out of date unlike their paper counterparts."

Another option, for infrequently connected users, is to replicate the document repositories, a feature that characterises the market leader, Lotus Notes, which works by copying the database and sending it elsewhere.

Mr Staunton puts the other 'enabling' technologies into order of importance: imaging, followed by Edi, then applied intelligence systems, and fourthly, GIS.

"Although those are key technologies for re-engineering, IT departments still talk about TCP-IP, client-server, and object oriented databases. The IT community still has to grasp the challenge of becoming 'enablers' of re-engineering rather than technology pushers."

In the automotive industry, which pioneered so much co-operative development in Edi, document management is providing the next step. Ford is using Intergraph software, an EDMS system with roots in technical authoring and desktop publishing, to create, publish, translate and distribute the documentation, workshop manuals and training material for its first 'world car,' the Mondeo.

Ford's partner in developing an all-purpose vehicle, Volkswagen, uses the same system, which will help cut down the tight timescale in which such documentation has to be produced. The new vehicle is being built in Portugal: the documentation can in theory, be done anywhere.

Office automation, the most visible and obvious of targets for streamlining, still poses IT problems, not least of infrastructure. The London Borough of Tower Hamlets recently rebuilt its entire IT operations, using five different but interconnected local area networks.

The restructuring, helped by networking specialist Fibronics, had to be done within days, so essential was the network to the service Tower Hamlets provides. Eddie Best, business co-ordinator at Tower Hamlets, already notes a change in culture – "with the new network there is a greater amount of shared data, which means more people are better informed. We are also experiencing a change in culture towards communication by electronic means. E-mail is quickly becoming indispensable."

Dr Bruce Nelson, chief technologist at Auspex Systems: 'Cost levels are crucial'

Processing power in office automation applications, such as at Tower Hamlets,uses only a fraction of the computing power available.

Financial applications, especially those involving complex computations, slow down networks much as heavy loads used to slow down the processing on mainframes. Nor are networks as adaptable to uneven processing loads.

One solution is JetNet, a PC system that works on the time-sharing principle. As yet unproven on a very large scale – except in one remarkable application for the main telecommunications authority in New Zealand – it shares out unused PC power across the network to speed up intensive processes such as calculation and compilation.

In financial and trading applications, more conventional solutions include the high-volume servers from Auspex Systems.

Auspex specialises in high-speed file servers for applications like fixed income, and foreign exchange trading: anything involving fast processing for a great number of users.

In mathematically intensive applications such as Collaterised Mortgage Obligation (CMO) calculations, the volume of processing can put a strain on networks. An increasing amount of 'intelligent' analysis, based on pre-determined rules, increases the workload further.

"Networks have lowered the costs of analytical applications dramatically, combined with Unix and inexpensive Ethernet high-speed networking," explains Dr Bruce Nelson, chief technologist at Auspex.

"Large groups such as Amex can now use networks of low-cost Unix computers for intensive processing. Everyone is looking to keep costs at rock-bottom.

"IT planners in a lot of financial institutions probably think of putting 50-100 users of Ethernet and token ring networks for such applications as word processing. But for advanced trading applications, such as foreign exchange options and CMO, the computational power needed is so high that as few as 10 workstations can burn up an Ethernet."

It is this trend that has driven companies like Auspex to supply server products that can support 24 simultaneous Ethernets with four simultaneous FDDIs (fibre distributed data interfaces), and hundreds of gigabytes of online disc storage, he says.

$3.2bn landmark 'outsourcing' deal

EDS wins big Xerox contract

Xerox Corporation has awarded a 10-year, $3.2bn contract to Electronic Data Systems (EDS), the computer services company owned by General Motors, to operate the Xerox worldwide computer and telecoms network, *writes Michael Wiltshire.*

The 'outsourcing' contract is believed to be the largest of its kind, and the first to encompass the worldwide information management operations of any company.

Under the arrangement, EDS will assume responsibility for Xerox data-processing, telecoms and computer network services

Paul Allaire, Xerox chairman: focusing on the core business

in 19 countries, and provide and maintain the computer applications that support Xerox's internal business processes.

EDS will control data centre operations, including the main ones in the US, the UK and Brazil; worldwide voice and data communications; desktop systems support; and business-support applications.

Xerox will retain responsibility for determining the architecture of its computer systems, strategy and program development. It will also continue to service and support its customers.

In all, 1,700 Xerox staff, including 1,400 in the US and 750 in the UK, will transfer to EDS over the next 18 months. Xerox has taken the unprecedented step of outsourcing almost all its information management operations to "focus resources on our core business of document processing, which is critical to ensure our continued success in a fiercely competitive industry," says Mr Paul Allaire, Xerox chairman.

The outsourcing arrangement will cut costs, he adds – "this is the first truly global commercial information management outsourcing arrangement and provides an opportunity for EDS to showcase its proven abilitities."

EDS has operations in more than 30 countries and employes around 70,000 people. Xerox awarded the contract to EDS following a six-month study of its information management organisation. Patricia Wallington, chief information officer at Xerox, says the cost-saving deal "will allow us to focus on improving the delivery of computer and telecoms services that support Xerox people; and free Xerox management to pursue a strategic course to design and integrate new technologies."

ATM breaks the speed limits

Continued from facing page

Twenty-five per cent of the requests-for-proposal that BT Global Network Services (GNS) receives include frame relay. Nick Brooks, product manager for Lan interconnect at BT GNS, says: "Later in the year, we will also be offering ISDN (integrated services digital network) as an alternative to frame relay for occasional Lan traffic, or as a back-up."

Market researchers Frost & Sullivan believe that technologies such as frame relay and ATM will take market share from widely available (but limited) Lan protocols like TCP/IP (Transaction Control Program/Internet Protocol).

Frame relay challenge

ATM could, however, also pose a threat to the emerging frame relay market. Though still only in the trial phase in Europe, there are great hopes for ATM because it was designed from day one for fibre-optic networks and multi-megabit speeds.

It processes data in hardware rather than software, which is much faster. So ATM chips can be designed to do nothing but pump out 53-byte data cells at phenomenal speeds.

As well as superseding frame relay, ATM could also replace metropolitan-area networks, (Mans).

These systems were originally conceived as high-speed networks that would cover a city. Mans have been talked about as possible on and off-ramps for information highways, the national information networks envisioned by US vice-president Al Gore.

Many of the ideas behind Mans have influenced the development of ATM. But so much more research and development money is going into ATM, that Mans are unlikely to play more than a niche role. For example, BT now uses the technology behind Mans – SMDS (or switched multi-megabit data service) – to provide very high speed links between computers, such as high-powered workstations and supercomputers.

"ATM is happening in Europe this year," says Phelan. "A lot of people are seeing it as the future of high-speed networking, both for wide-area and for national networks."

□ *The writer is associate editor of the FT newsletter, 'Business Computing Brief'*

Claire Gooding on electronic data interchange and electronic mail

New dimensions in messaging

Electronic data interchange (EDI) and electronic mail (e-mail) have become embedded in the way that many companies work. They are the basic components of a more potent group of applications, sometimes known as document *interchange and groupware. These provide* the ability to interconnect groups of people who may work in different locations or even time-zones, but nevertheless need to work as a team.

These methods have become almost a 'lifestyle' for their users, so much that it becomes difficult to separate out the technologies from the applications which use them. Nor should one want to: the whole point about the benefits of using document interchange or e-mail is that they should be to integral to operations, just as water pipes distribute the benefits of central *heating*.

The great increase of 'IT-aware' PC users has brought a new dimension into *the use of messaging*. Initially, PC networks started as a way of sharing expensive resources among several users – typically *printers or other peripherals*.

The potential of connecting people so that they could share documents, and par*ticipate in special interest groups and* 'electronic diaries' really began to dawn with widespread adoption of PC products *such as Lotus Notes*.

For many years, the mainframe had provided a proportion of these facilities. A remote 'dumb' *terminal* (with no local processing power, such as a PC or workstation provides) could be situated almost anywhere with a dedicated phone line, allowing many pioneering 'teleworkers' to do their *programming from home*.

Some mainframes also provided a messaging system, fairly rudimentary and limited, inevitably, to the IT *elite* (already removed from the common herd) who were likely to have a terminal in the first place.

But now, 'client-server' systems have begun to displace – or at least work alongside – mainframes, and are used by people at every level of an organisation. Using a far more complex structure, these systems provide a great deal of local processing power, connected to a 'file server,' often *remote, which delivers the data across* the network, from a master repository that can be located anywhere on it. E-mail *often becomes the 'glue' in some organisa*tions who support heterogeneous networks.

Pioneer businesses in developing EDI were banks, retailers and automotive companies

*There are three phases in the develop*ment of document interchange, according to Steve Sheppard, European marketing *manager of GE Information Services, one* of the largest providers of electronic trad*ing services globally – "in terms of* the benefits organisations can realise out of electronic trading, they need both the document and the data exchange – that's structured information, representing business processes, such as invoices – and the interpersonal communication as well," he says.

"In practice, if an organisation exchanges a purchase order, that's structured, but there might be a dozen interpersonal messages to support that transaction.

"So, by using interpersonal services, such as electronic mail, we can make that exchange of information more efficient."

Some of the pioneer industries in developing EDI were banks, retailers, and automoative companies. GE Information Services owns International Network Services, INS, *set up jointly with ICL to* service the burgeoning electronic trading market.

*Mr Sheppard uses examples from experi*ence to illustrate his "three phases:"

First comes exchange between parts of *an organisation – "one pharmaceutical* customer originally set up e-mail in subsidiaries, different offices in remote loca*tions to allow people within the organisa*tion to exchange information. In phase two, users exchange data with organisations outside their own company. That was typically structured information, such as usually meant by EDI: invoices, payment, and so on," he adds.

"It's important to note the distinction: it was an automation of existing processes of organisation and trading with partners. That can bring big benefits in cost-cutting."

Mr Sheppard gives an example of the cost of processing an invoice, reduced for one customer from £15-£20 per invoice to between £5 and £10 – "a significant saving if you are processing tens of thousands."

Nevertheless, it's in the third phase that the benefits come home, he says. The external value chain may start with structured messaging, but many interpersonal messages begin to take place to support *the business processes. These can be in* the form of structured and unstructured: e-mail, intelligent 'decision-making' appli*cations, anything to support the business* transactions.

"It's easy to connect e-mail systems even *where there are different hardware hosts*. That's where the value-added service providers come in, to connect the different *services. The role of the network is in the*

Steve Sheppard of GE Information systems: making data exchanges more efficient

integration of management, security, and tying together various systems to enable better information exchange."

E-mail has a respectable history of 'empowering' applications, especially where it has been used to package ready-*formatted information. For example*, for some years, Whitbread Beefeater restaurants have used simple pre-determined *forms to file weekly reports*, using the mainframe Verimation Memo system.

The system can also used for urgent *needs, if, for example, one branch run* short of beefburgers and need a consignment from another. But its most imaginative growth has been its use for *ad hoc* questionnaires, research on competitive *menus* locally, and proposed price rises.

Just as typical of e-mail use are highly complex applications built by third parties, which use electronic mail and document interchange as part of an application. For Royal Mail, the recent re-organisation from 64 *districts* and four national territories into nine geographical divisions triggered a re-think about communication.

What Royal Mail wanted was an open *flow* of information among its divisions, and the ability to allow remote groups of people to work together as it they were in the *same office*. Electronic mail had already proved itself by the mid-1980s, in an initial experiment with 3Com's local area network and 3+Mail.

Assisted by the consultants KPMG, Royal Mail implemented a system based on Lotus Development Corp's Lotus Notes in 1992. Called InfoRMac, (Information and Communications system for the Royal Mail), it connects Royal Mail's divisional general managers and directors so that they can communicate with local managers, and co-ordinate their activities with one another. All work with the same up-to-date information.

Royal Mail's system is based on a network of IBM AS/400s computers, one in each of its 64 areas, running OfficeVision.

The InfoRMac project now pulls together all the Royal Mail locations in to one X.25 *wide area* network. Four hundred of the organisation's managers are users, and as part of a three-year rollout, Royal Mail has *bought 15,000 copies of* Lotus *Notes*.

OPEN SYSTEMS

Solutions more affordable

Open systems often owe more to theory than reality, reports MICHAEL DEMPSEY

Bill Bowmar is divisional manager of information technology (IT) at the construction arm of Trafalgar House. His company is one of the largest building concerns in the UK, with projects as diverse as the Humber Bridge and Malaysia's Pergau Dam to boast about.

This working environment is not ideally suited to computer systems. Nobody lays out a motorway expansion site to please the IT department. Yet two-thirds of Trafalgar House Construction's 3,000 staff have a computer terminal.

These machines are spread over 70 loca*tions with links to projects as far afield as* Hong Kong. The £4m inventory of computer systems embraces a raft of suppliers *and software packages. The division has* an annual IT budget, including staff and vehicles, of £5m.

However, Mr Bowmar's colleagues concentrate on engineering projects. They are happy to make do with whatever IT equipment they've inherited, as long as it works – "a construction company often grows by acquisition," he says. "We pick up computer systems as new businesses come on board. And we don't throw away anything on the IT side!"

This attitude towards hardware and systems might sound economical, but it *offers a real challenge to the* network manager. He faces linking up local area network (Lan) elements in a coherent wide area network (Wan). Five years ago, *that* was Bill Bowmar's job.

Richard Crisp of McDonnell Douglas Information Systems: pragmatic view

On the surface there was an obvious answer to this networking dilemma. Open Systems have long been touted as the panacea for networking. The term is self-explanatory, denoting mutual standards between different suppliers. This should allow users to mix and match equipment without worrying about compatibility.

But Mr Bowmar quickly discovered that open systems owe more to theory than reality. In theory, an EC-endorsed international communications protocol known as Open Systems Interconnection (OSI) is the route to networking computers. In practice, there is still an annoying amount of adaptation involved in creating a trouble-free Wan.

"Computing and networking should be like Japanese hi-fi," says Mr Bowmar. "You should take the system out of the box, plug it in – and play."

Unfortunately, OSI failed to meet this simple test – "we found OSI is not like that; it's very difficult to get kit from two *suppliers to interconnect over the net*work.

"Our philosophy is that anything should speak to anything else, wherever the site is located."

Mr Bowmar's experience lead him to endorse a formidable mouthful of technical terms: Transport Control Protocol/Internet Protocol (TCP/IP). This communications standard grew out of the US defence community.

TCP/IP conquered the US's vast academic computer base as a convenient standard embedded in the depths of the computer but allowing machines to communicate across networks.

TCP/IP is regarded as cheaper and easier to implement than the notorious layers of regulations that constitute the OSI model.

To keep data flowing between the Lans and the Wan, Mr Bowmar called in 3Com, a networking hardware supplier. He wanted a sole outside contractor to deliver the routing and management computers that direct network traffic.

This equipment cost £500,000, and estab*lished Bill Bowmar's definition of a rap*port between supplier and customer – "it's a good relationship, but we drive them *hard*," he says.

Sticking to one source simplified the question of protocols: in effect, Mr Bowmar *defined his own standards*.

Despite initiatives from central government and international bodies, users still insist on giving OSI the cold shoulder. Richard Crisp, a communications specialist at McDonnell Douglas Information Systems (MDIS), is not surprised – "TCP/IP is very much a *de facto* standard. It's extremely well-developed, it gives a fair fit in terms of connectivity."

Mr Crisp is pragmatic about the computer industry's habit of trumpeting the joys of open systems.

He confirms the gap between the official term and the practice of stringing different systems together in a network – "there are degrees of openness. It is certainly getting better."

Away from the bewildering world of communications protocol's and acronyms, open systems have produced one great benefit. Standardisation has made it difficult for networking specialists to differentiate between their products.

In practice, there is still plenty of adaptation needed to create a trouble-free wide area network

Mr Crisp's colleague Dennis Lindsey highlights the consequences – "open systems have driven prices down," he says.

"Solutions are much more affordable. If I was buying a Wan eight years ago I'd have spent between £250,000 and £500,000. Today, you could get up to 12 remote sites on a Wan for £60,000 to £70,000."

The key to networking is to find an *infrastructure that will support the cus*tomer's needs. St Paul Insurance specialises in high-risk operations, from hang-glider pilots to *supertankers*.

Its premiums do not come cheap, and St Paul relies on constant exchanges of information between six *UK sites* to keep highly specialist knowledge flowing.

St Paul uses computers from IBM, ICL and Olivetti, and expects to be able to pool data from these disparate sources without any problem.

"Just 18 months ago we had a series of Lans, but no infrastructure to connect them," says Luke Bazzard, technical services manager. Rather than rationalise different systems that individual offices were comfortable with, Mr Bazzard opted for the black box approach.

For £190,000, Californian Network Equip*ment Technologies* (Net) *provided* Mr Bazzard with six network management processors. These dedicated computers took *over the intricate labour of introducing* traffic from one Ian to another.

Luke Bazzard characterises his system as a 'postal service' with with TCP/IP and an industrywide protocol from Lan giant, Novell acting as envelopes that contain data. Net's contribution is to act as a post office.

Mr Bazzard's communications budget is still £1m a year, on top of a £6m IT budget. But with that kind of money in play, the Net system is a small investment in return for maximising market intelligence spread across a 450-strong operation.

MOBILE DATA SERVICES

Making painful progress

Technical and marketing issues have constrained the market for mobile data services, reports MARK NEWMAN

I started writing this article in longhand – surprisingly, perhaps – when I was over in France for the fiftieth anniversary of D-Day. It would have been easier if I had taken a laptop computer with me. Things would have been easier still if I could have checked out various bits of information for my article by accessing, over my laptop, the Financial Times Profile information database.

Once completed, I could have sent my article down the telephone wire to the Financial Times at Southwark Bridge in London.

The technology and the service providers already exist to send and receive messages over computers using radio signals. In the UK, for example, there are three mobile data network operators. But the commercial implementation of mobile data has been painfully slow, particularly compared to mobile telephones.

There are 2.3m cellular telephone users in the UK today – equal to four per cent of the population. Mobile data operators, on the other hand, have only 5,500 subscribers. A variety of technical and marketing issues have constrained the market for mobile data since IT and telecommunications companies developed the first technologies in the early early 1980s. A report, *Mobile Data: Market Strategies*, by Ovum, the London information technology and telecoms consultancy, lists six reasons why mobile data has not lived up to expectations. They are:

- Lack of confidence in technology.
- Availability of networks.
- Lack of suitable terminals.
- Solutions and applications.
- The weakness of systems integration.
- Market education.

On the technology side, a lack of suitable terminals and inadequate software systems has been a problem. Mobile data terminals come in two generic forms: specialist terminals; and general terminals with separate mobile data modems to allow them to communicate over the mobile data network.

For the longer term, analysts predict the market will grow strongly

One of the main reasons for implementing a mobile data system is to extend corporate network facilities to new groups of users, and in particular, mobile field forces. Users have found that specialist terminals do not have the same software capabilities as corporate systems. Those terminals which do have software packages that match corporate networks tend to be expensive.

Price is also an issue for users who are considering buying radio modems for their laptop PCs.

Radio modems are larger and more expensive than their fixed network counterparts. They are built as separate pieces of hardware rather than incorporated into terminals. Portable modems are about the same price as portable PCs.

Martin Garner, a telecoms consultant and mobile data specialist at Ovum, believes the failure to attract widespread support from systems integrators and software developers has been an important reason for mobile data's slow growth.

The Ovum report notes that "the leading users in mobile data tend to be very large organisations because of the difficulty and costs associated with engineering a mobile data system."

Large organisations have their own sophisticated systems integration expertise in house, and have long-standing relationships with external systems integrators.

Confusion over the choice of network also affect the market: in the UK, for example, there are too many networks – users are not clear about the best choice of networks and services, and therefore delay buying-decisions until clear winners emerge.

The Deparment of Trade and Industry awarded five mobile data network licences in 1990. But two of the licensees handed back their licences and a third built a network and then shut it down because it had no subscribers. This leaves two mobile data operators, Cognito and Ram Mobile Data. A third mobile data operator, Paknet, was awarded a licence in 1992.

But the confusion does not end there. Cellular operators Cellnet and Vodafone offer mobile data services over their Tacs-900 analogue cellular networks. They will soon begin offering improved data services over their GSM digital cellular networks.

The UK's two other cellular operators, Mercury One-2-One and Orange are also planning to offer mobile data services. In addition, National Band Three, the national public access mobile radio operator, and a number of regional pamr operators, also offer data services.

As a general rule, analogue cellular networks are less suited to mobile data services than digital cellular networks. Data is transferred using circuit-switched transmission, which is less efficient than packet-switched transmission over GSM networks. On the other hand, GSM is still relatively new – the first services were not launched until 1992 and the various data transmission capabilities within the standard have not yet been implemented.

Analogue cellular networks tend to be suited to long data transmissions such as fax and file transfer. One of the first data services over GSM will be short messaging, which is the same principle as radio-paging.

The UK's three dedicated mobile data networks all use different system. Cognito uses a packet-switched data protocol and has positioned itself as a provider of relatively uncomplicated data services such as two-way messaging.

Paknet runs a standard X.25 packet switched data service. It is used mainly for fixed applications such as electronic funds transfer at the point of sale (Eftpos) and does not handle mobility features such as hand-off between cells.

Ram Mobile Data uses a proprietary system, developed by Nokia of Sweden, called Mobitex. This is also a packet-switched data system. Its main advantage is that the network can be used by users of fixed or mobile terminals, and by both open and closed groups of users.

In other European countries, however, there have not been enough networks – some countries have only licensed their first mobile data operators within the last year.

Meanwhile, Mobitex is rapidly emerging as the preferred system for mobile data operators across Europe. Mobile data operators in eight countries – Finland, Sweden, Norway, the Netherlands, Germany, France, Belgium, the UK, have now adopted this system. They are planning to introduce 'roaming' between networks, allowing subscribers in one country to use networks in other countries.

The only potential challenger to Mobitex is Motorola's RD-LAP systems, which is used by Deutsche Telekom in Germany. It is also used by Hutchison, the UK mobile data operator which shut down its network last year. Motorola is now considering buying the network from Hutchison, to operate it as a joint venture with Cognito.

In spite of the problems that mobile data has faced, operators and manufacturers remain confident that the market will grow rapidly. Ovum predicts that the number of mobile data subscribers in Europe and North America will multiply 25 times between 1994 and 2000 to reach just over 18m.

The early adopters of mobile data have been vertical markets such as police forces and airlines. British Airways, for example, uses mobile data to check in passengers. But over the last year, Microsoft, Novell and other software companies have brought out products which will fuel growth in horizontal markets.

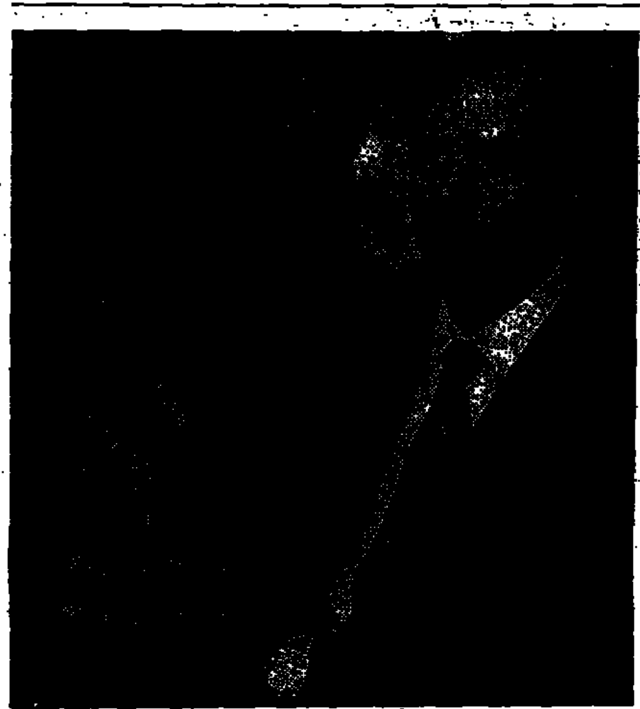
Laptop computers with built-in radio modems could be standard items for journalists by the time the one-hundredth anniversary of D-day is commemorated on the Normandy beaches.

NIGHT AND DAY ACCESS : this business caller is able to access his computer – reading and sending electronic messages, and giving instructions for information to be sent elsewhere, when the office is closed and he is miles away 'on the road.' The commuter is using WordPerfect's new Telephone Access Server (TAS) – codenamed Telemail. The product is due for release later this year. Using a touchtone telephone, TAS-users can send electronic messages, listen to and update their calendars, accept or decline appointments or tasks, at any time – "turning even a mobile phone into their own 24-hour global office," says a WordPerfect spokesman.

SUPPLIER PROFILE

Intuition has been rewarded

ALAN CANE charts the progress of an expanding and unusual networking company: Madge Networks



Robert Madge, entrepreneur: now one the UK's richest men

Cisco, SynOptics, 3Com and Cabletron; the communications revolution has thrown up a raft of fast-growing, ambitious companies listed on America's Nasdaq stock market. Among them is Madge Networks, perhaps the most unusual networking company to have emerged in recent years.

Founded in 1986 by Robert Madge, a British architectural journalist and entrepreneur with no technical background but a sharp appreciation of the potential of computer networking, it is now registered as a Dutch company with research and development in the UK and substantial marketing offices in San Jose, California, and Tokyo.

The company was listed on Nasdaq, the world's largest over-the-counter market, last August through an initial public offering which raised $30m in cash net of expenses. Madge says the aim of the Ipo was not to raise money but to raise the status of the company – "we didn't have a need for cash; it was more a natural progression."

There was also the problem that the company was becoming uncomfortably large and if the offer had been left much longer, it could have been a difficult proposition for Nasdaq, which specialises in start-up companies, to digest.

Why Nasdaq, rather than London? Madge says it was a matter of conforming to the norms of the electronics industry – "no specialist networking company is listed outside the US. It was the natural place to be. We started with a disadvantage because we missed out on the two or three-year period during which the US venture capital community promotes new issues, so we had more talking to do. Now Madge Networks is reasonably well understood by investors. US investors are very knowledgeable in this area."

And the transformation into a Dutch company? Convenience: listing as a UK company would have thrown up tax and share complexities.

Madge specialises in token-ring networking, the technology championed by International Business Machines for local area networking. It develops and markets a range of hardware including network adapters, hub and router adapters and FDDI adapters. Token Ring and Ethernet are the two key LAN technologies. Ethernet depends on a collision detection mechanism to ensure transmissions pass securely through the network; on a token network, the right to transmit depends on possession of a software 'token.'

Token ring technology, Madge says, is well suited to large organisations with widely dispersed groups of users – "it was a new business area in 1986," Madge says. "We built a position as a second source to IBM in token ring. We believed the technology would give us opportunities that others were avoiding, afraid of the power of IBM."

His intuition was rewarded. Revenues of $10m in 1990 grew to $145m by 1993; in the first

Continued on next page

COMPUTER NETWORKING 8

Network for nuclear alerts

Cable being laid, above, with the help of a helicopter for a new development within the UK government's Radioactive Incident Monitoring Network, Rimnet.

Key networking and electronic messaging elements are provided by BT's Global Network Services (GNS) for the £12m nuclear emergency response facility, *writes Michael Wiltshire*. Rimnet gathers data on gamma radioactivity levels at 92 Met Office locations throughout the UK to give an overall 'picture' of levels in the event of a nuclear accident, such as the Chernobyl disaster. Every hour, the main central database facility in London monitors levels around the country, passing on data for processing by the Department of the Environment. GNS is a leader in the managed data network services market, with connections to over 150 networks in more than 100 countries.

STANDARDS DILEMMA

Difficult choices

Network managers have been hoping for a standard method of controlling their distributed systems, but no single standard has yet emerged, writes GEORGE BLACK

Many network managers will be forced to choose a product in the near future without waiting to see if a clear standard becomes apparent.

Wide area and local area networks of computers combining a variety different makes of hardware and software have been spreading at an extremely rapid rate, many of them outside the authority of network managers.

Network management rose to the top of the list of concerns of European computer systems and network users for the first time last year, according to a study by Yankee Group Europe.

There are plenty of software tools for tackling various aspects of the task, but there is still no standard approach to it as a whole.

Network managers want more than just the ability to monitor their system devices - such as hubs, bridges and routers. They want to be able to control the performance of distributed applications, deliver a high level of service to users and ensure that information is kept secure. All this has to be done while keeping costs down, which in many cases will be achieved by charging users for the network service.

Many system management functions which were carried out efficiently in the old IBM mainframe environment have yet to be worked out in the new world of distributed or client/server systems.

Any standard method of network management for these new systems must be able to support two key communications protocols, the Internet's Simple Network Management Protocol (SIP) and the Common Management Information Protocol (CMIP), the Open Systems Interconnection standard promoted by the International Standards Organisation.

SIP is generally preferred for applications based on the UNIX operating system, which is used by most mid-range computers of the current generation. CMIP is favoured by users in the telecommunications industry.

There have been several candidates for a network management standard, but none has gained sufficient support to attain that status. As yet, all the offerings provide only parts of the required solution.

The two clear front-runners are Hewlett-Packard's OpenView and IBM's NetView/6000, which is also being marketed by Digital.

The OSF's communications manager for Europe, Mr Mark Laureys says that they still need an industry definition of a piece of code called an object request broker before the DME can be completed.

In the local area network sector, Microsoft is certain to be counted among the most important players. Its Systems Management Server (formerly code-named 'Hermes'), was previewed in May and is due to be available in late summer.

Based on Microsoft's Windows NT operating system, it will offer some essential functions of a network management system, including software distribution, network auditing and remote support for applications users.

These were all high on the list of requirements of network managers in a preliminary study conducted by Microsoft, according to its UK business systems group marketing manager, Ms Julie Cox.

She foresees that SMS will compete to some extent with NetView and Openview. But industry analysts expect that although Microsoft's product will be commonly adopted on local area networks it will not be generally seen as an enterprise-wide solution.

Thus IBM, Hewlett-Packard and Microsoft look likely to be the strongest forces in network management for at least the next couple of years. In that time, network management may replace the operating system as the primary battleground for leadership of the industry.

Around 23,000 visitors are expected at Networks 94, claimed to be the UK's largest business-to-business IT event. The show at the National Exhibition Centre, near Birmingham, from today, June 28 to Thursday, June 30, features products from 400 companies. The event has a four-track educational focus, plus management briefing sessions; it also features MessageNet, "the largest showcase of electronic mail in one location."

FT readers have free admission to Networks 94: please see announcement on Page Two of this survey.

■ RAIL SERVICES: with another threatened rail strike in the UK on Wednesday, Networks 94 organisers have announced that "if visitors have already booked a rail ticket for Wednesday, the ticket can now be used for either Tuesday or Thursday, according to InterCity."

By road, the NEC is directly accessible via the M1/M6 or M40/M42 routes. The exhibition complex also has 15,000 free parking spaces.

Madge steps up research plans

Continued from previous page:

quarter of the current year revenues were $45m, up from $29.7m in the same period the previous year. The company was capitalised earlier this year at over $400m and Madge has become one of the UK's richest men.

The challenge for successful young companies, especially those in the high technology arena, is to maintain growth and profitability and keep on top of technological developments. Madge points to heavy investment in research and development amounting to almost $11m in 1993 and a close relationship with customers - "we realised that customers needed more than technology so we have been developing customer service; we take an interest in solving their problems.

"It is not the kind of consultancy for which we charge. Virtually all our revenues come from product sales together with licensing fees from other vendors. We don't have to sell consultancy; we are able to command premium prices because of the quality of our technology."

In 1989, for example, Madge was one of the first companies to add intelligence to its adapters which enabled them, for example, to handle the processing necessary to communicate between different kinds of equipment - "we created this concept and it has become the biggest sector of our business," Madge says. Although the company remains wedded to token ring technology, it is now looking beyond it to the technologies of choice for the future. It is putting resources into Asynchrononous Transfer Mode, a telecommunications technique which both telecommunications companies and computer companies are exploiting with a view to providing multimedia services.

"ATM will be the core technology in a few years time," according to Mr Madge. "We know some things about the direction in which the technology is evolving and we know what we can do with that technology. Our customers can tell us what they think they are going to want to do about technology. We can arrange the marriage of the two when the products are available."

How does the company want to be assessed by the business world? "We measure ourselves not only in financial success but in terms of our reputation. We want people to think highly of us," Madge says.